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Government
Publication

STANDING COMMITTEE ON PUBLIC ACCOUNTS

ORGANIZATION

THURSDAY, MAY 7, 1981



STANDING COMMITTEE ON PUBLIC ACCOUNTS

CHAIRMAN: Reid, T. P. (Rainy River L)
VICE-CHAIRMAN: Peterson, D. R. (London Centre L)
Cousens, D. (York Centre PC)
Cunningham, E. G. (Wentworth North L)
Foulds, J. F. (Port Arthur NDP)
Philip, E. T. (Etobicoke NDP)
Pollock, J. (Hastings-Peterborough PC)
Sargent, E. C. (Grey-Bruce L)
Scrivener, M. (St. David PC)
Taylor, J. A. (Prince Edward-Lennox PC)
Villeneuve, O. F. (Stormont, Dundas and Glengarry PC)
Yakabuski, P. J. (Renfrew South PC)

Clerk: White, G.

From the Office of the Provincial Auditor:
Scott, F. N., Provincial Auditor



LEGISLATURE OF ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday, May 7, 1981

The committee met at 10:03 a.m. in room No. 151.

ORGANIZATION

Clerk of the Committee: Honourable members, I would recognize a quorum. It is my duty to call upon you for nominations for the office of chairman.

Mr. Peterson nominates Patrick Reid.

Mr. Peterson: Mr. Clerk, the honourable Patrick Reid, an eminent chairman of the past who has demonstrated unparalleled ability--

Interjection.

Mr. Peterson: I want to speak, for God's sake.

Last year we produced, under his direction, the finest report the public accounts committee has ever produced and he deserves another week or so in the chair.

Clerk of the Committee: Mr. Villeneuve seconds Mr. Peterson's motion. Are there any further nominations for the office of chairman?

Mr. Cunningham: If Peterson is in favour, I want to think about it.

Clerk of the Committee: No further nominations being received, I would declare the nominations closed and Mr. Reid elected chairman by acclamation.

Some hon. members: Hear, hear.

Mr. Chairman: Thank you very much, ladies and gentlemen. In appreciation I shall not keep you long this morning.

The first order of business is to elect a vice-chairman and nominations are now open for that position.

Mr. Cunningham: I would like to nominate David Peterson, notwithstanding his legal training.

Mr. Sargent: I second the nomination.

Mr. Chairman: I might point out that in the last millenium, previous to March 19, the vice-chairman was also a member of the opposition at the request or suggestion of the whip of the Conservative Party.

Mr. Yakabuski: I was not on the committee and I do not have a list of the makeup of the last committee. Did the vice-chairman of the last committee belong to the second or third party?

Mr. Chairman: The Liberal Party. The second party, Ross Hall.

Mr. Villeneuve: The NDP are not interested or they would be here.

Mr. Chairman: Are there any further nominations? If not, I declare Mr. Peterson the vice-chairman.

Mr. Sargent: What salary does that carry?

Mr. Chairman: Mr. Pollock moves that we give authority for the Hansard to be taken and printed.

Those in favour?

Opposed, if any?

Motion agreed to.

Mr. Chairman: For those of you who may not have had the opportunity to meet the people at the front, I would like to introduce to you the provincial auditor, Norm Scott, on my immediate left. Most of you have seen him or have had something to do with him; and Ken Leishman, who is the director of reporting and standards for the public accounts audit branch.

A little further right is Ms. Martha Fletcher, our researcher, who we have seconded from the legislative library and who is, in large part, responsible for the excellence of our last report; and our clerk, Graham White, whom most of you know already and who was responsible for getting us out of one of the dingier committee rooms and into these palatial estates.

I would like to go over two or three items this morning. One is that Martha and Graham have prepared subject areas that have been reviewed by the public accounts committee. I would like you to have a look at that.

As well, we will be providing you with copies of our last report which includes, in the first part of the report, a description of the functions of the public accounts committee, which was written by somebody very pre-eminent and knowledgeable in the field, along with the work we did and our recommendations.

Next week the auditor will give us a short presentation on the work of his office, what exactly his job is and how his report on the public accounts arrives on our desks. We will also be hearing from Mr. Jim Keenan, of the Management Board of Cabinet who will explain the budgetary process, how the budget is arrived

at, how the estimates are arrived at and the accountability of that office for spending programs over the government.

10:10 a.m.

From there we will proceed--and I would like some direction from the committee. I understand we will be adjourning about the third week in June. We have some matters that have been left over from last year's public accounts committee.

First of all, I would like your direction if you have anything that you would like to see on the agenda; and, secondly, whether or not you want to meet next Thursday. Next Thursday is the Thursday before the long weekend. Will everybody be here? If a lot of people are going to be leaving earlier, there is no point in going through that exercise next week. All right, you will all be here.

We will be setting up a subcommittee or steering committee which helps to set the agenda, helps with the motions and resolutions and assists in drafting the final report, so I would appreciate hearing from each party.

Would you nominate one person to serve on the steering committee? Perhaps Paul or Margaret or Osie could get back to me by next week and let me know who you would like to have on the steering committee. It is primarily to help with the agenda and the drafting of the final report.

The auditor has brought along copies of last year's auditor's report, along with copies of the Audit Act. You should have a look, particularly at the Audit Act, and probably bring it with you to your meetings. Of course, we deal primarily with the auditor's report and you should bring that to every meeting as well.

The auditor has provided me with his report on St. Marys Clinic. What we will do today primarily is distribute this document to you. You will have to read our report in last year's public accounts committee to get the background so you will understand it. We will probably deal with this report a week Thursday.

Are there questions, suggestions, recommendations, items that you would particularly like to see gone into. As I said, next week the auditor will explain his function and the organization of his office and his role vis-a-vis the public accounts committee. We will also have somebody from management board to explain the budgetary process.

Mr. Sargent: What I am concerned about is is it in our terms of reference to go into Ontario Hydro? Is it beyond our grasp to get into that?

Mr. Yakabuski: It is in the Hydro affairs committee.

Mr. Foulds: No, you have killed that.

Mr. Chairman: I would say two things. We can look into anything under our terms of reference that is in the public accounts or in the Audit Act.

In the last Legislature, the annual report of Hydro was referred to this committee, but we did not have time to deal with it. My understanding of the legislative rules is that all business dies once the election is called, so if we are going to do anything of that sort, we would have to do it again by way of motion, either from the House or by this committee.

Mr. Sargent: We cannot deal with ongoing policies, things that they have completed then.

My concern is that Hydro is totally out of hand now, with what is going on.

Mr. Chairman: We only deal with financial matters, not matters of policy and whether or not we should build nuclear stations or whatever. These are matters for the House and not here. All we can do is look at their expenditures in past years and suggest whether or not we think they are correct. But it is not the function of this committee to pass on policy matters.

Mr. Sargent: On current affairs. But we can go into past performance?

Mr. Chairman: Yes.

Mr. Yakabuski: Would the provincial auditor review in detail Hydro financial matters?

Mr. Scott: No, we are not the auditors of Ontario Hydro. Ontario Hydro is audited by Clarkson Gordon. We do get a copy of the audited financial statement. That is as far as it goes. And that is as far as our act goes regarding--

Mr. Yakabuski: Is it customary or have you in the past commented on that statement that is provided to you by Clarkson Gordon?

Mr. Scott: No, we have had no comment on Ontario Hydro in our report to the Legislature.

Mr. Yakabuski: Is that customary?

Mr. Scott: I will put it this way: up to this point we have not had occasion to make a comment on the financial statements. I am not ruling out that in the future, if something came to our attention, we may have to comment. But at the present time we have had no comment.

Mr. Yakabuski: May I pursue that a little further? Then, what this committee deals with usually stems from something that you pinpointed in the financial transactions of a ministry or a crown corporation?

Mr. Scott: Generally speaking, what the committee is

charged with and has been referred to this committee is the public accounts of Ontario, plus the auditor's report.

Now, as the chairman has just mentioned, if you want to go into anything else, for instance the annual report of Ontario Hydro or something of this nature, then it would have to be on a specific motion of this committee and the House in order to go into that.

Currently all that is referred to this committee are the public accounts and the auditor's report.

Mr. Yakabuski: Would you feel the Hydro financial report is of such magnitude, perhaps, that it would be best dealt with by the Hydro affairs committee and that this public accounts committee confine itself to various ministries, because it does not meet that often and for a sufficient length of time to have that kind of time to deal with something of that magnitude in detail?

Mr. Scott: If there is a Hydro affairs committee, that would be the proper place to deal with that particular report.

With this committee just meeting once a week, I feel they have a sufficient agenda to try to cover the material that has been referred to the committee by the House.

When you look at it, you only have a very few weeks. As the chairman mentioned, the House will probably recess the third week in June. So you are down to about five sittings prior to the recess. Then, when you come back in the fall, there are another four or five sittings and then the preparation of your report. So it does not give a great deal of time to go into these other areas.

Mr. Yakabuski: That was my feeling, Mr. Chairman.

Mr. Foulds: There is nothing that prevents either you or us from commenting or examining a specific aspect of Hydro's financial position.

Mr. Scott: Currently, unless there is direction from the House, there would be, because it has not been referred to this committee at this time.

10:20 a.m.

Mr. Peterson: There is some precedent, as I understand it (inaudible). As Norm was saying, I do not think we can expect him to crawl through the entire thing. We could spend the next eight years doing the whole thing. If there is a specific aspect of it, we have the power, and, indeed, have done that before, to direct him towards specific things.

So my guess is, Mr. Chairman, that would have to be well thought out by this committee to limit the reference and not to waste the auditor's time.

Mr. Chairman: The committee has great scope and can initiate its own investigations, but what we do require is a motion by the committee and debated by the committee and backed up by a fairly narrow focus so that we are not going on fishing expeditions; we do have the power and authority, but it must be on motion of the committee and must be by a majority of the committee.

Mrs. Scrivener: I would like to change the subject. On a point of personal privilege. I am finding this room extremely uncomfortable and cold. The atmosphere is very uncomfortable. If it can be rectified for future meetings, fine. If not, I would like to see us move back into a committee room which is more comfortable. This room is quite grand, but it is cold; the air conditioning is very uncomfortable.

Mr. Chairman: All right. We will look into that.

Mr. Foulds: It is my understanding from the House leaders' meetings that the Hydro affairs committee will not be reconstituted in this Legislature.

Mr. Sargent: Is that a fact?

Mr. Foulds: So I'll just throw that in (inaudible).

Mr. Villeneuve: They spent five years already on Hydro. So with the time allotted to us, we are not going to find out too much.

Mr. Foulds: And Hydro failed to give the committee some information (inaudible) on heavy water plants.

Mr. Sargent: In view of that situation--and I don't know how we go about it, Mr. Scott--there has been a hangover, a \$300 million loan from Hydro to public works for the parkway package up here that has never been resolved between Hydro and public works. (I would like to get to the bottom of that thing.

Somewhere along the line, I wish, Pat, that we could get a handle on what the hell is going on in that place. If the select committee on Hydro is not going to sit, all hell is going to break loose; they've got a blank cheque.

I wish we could think of some way we could even pick up on their last audited statement, Mr. Scott, and get some ammunition there to delve into it.

Mr. Peterson: Maybe (inaudible) could get a copy of that statement and look through it and if there are specific areas, instruct the committee that way.

Mr. Sargent: A year ago I phoned the chairman of Hydro about it and he thought it was justified, but they could not pinpoint the thing. He knew the crossover loan existed, but it never showed up in any statement.

Mr. Chairman: Perhaps this is a matter we can all give some thought to, but we have to have some specific reason for

looking into anything. We do not have to resolve that question here today.

If there is no further business, we will be meeting again next Thursday. Hopefully we can get the heat turned up or the cold turned down. And we will have coffee next week.

Mr. Cunningham: You could buy public accounts sweaters.

Mr. Chairman: We must deal with our budget at some point as well.

Mr. Sargent: What will we talk about next week then?

Mr. Chairman: I will repeat it again. We are going to have Mr. Scott explain the role and functions of his office and also someone from management board to explain management board's function and how the budgetary system works and how the estimates are arrived at. It will be very illuminating for you, Eddie and for all of us.

Mr. Sargent: I do not see why we should waste a day on that. Let's get into the meat of the thing and do some business.

Mr. Chairman: We have a lot of new members who, I think, would appreciate learning about how the committee works and what has gone on. Some of us older members might benefit from learning about how this place operates.

Mr. Peterson: I think the alternative perhaps might be to have an informal dinner meeting or a luncheon meeting some day and have Norman there, as well as management board people, just to chat that way.

I agree with you, there is an awful lot of stuff that goes on here, and it is very helpful if we know the responsibilities of the auditor vis-a-vis the management board, and it should be done. It is important to this committee.

But if we have only got about nine or 10 meeting days before we have to do a report, is that a possibility, Mr. Chairman, say next Monday night or Tuesday night or next Thursday night, or something like that?

Mr. Chairman: One of the benefits I hope to derive from this is that while we are educating ourselves we are educating our brethren in the media, who are not very conversant with what goes on here and how the committee functions, as well. So I am hoping that there will be some of them will attend, as well. I don't think, given the span of time we have--

Mr. Foulds: You'd get more if you had dinner.

Mr. Cunningham: Just drinks. You don't need dinner, just drinks for them.

Mr. Chairman: We would certainly have all the members here if we had a dinner. I think, if we might, we will proceed in

that way because we have got to get our feet wet a little first.

The committee adjourned at 10:26 a.m.

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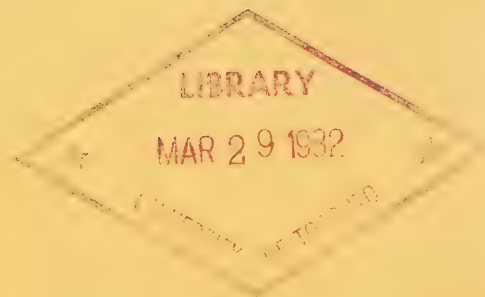
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STANDING COMMITTEE ON PUBLIC ACCOUNTS

ST. MARYS CLINIC .
GENERAL BUSINESS

THURSDAY, MAY 21, 1981



STANDING COMMITTEE ON PUBLIC ACCOUNTS

CHAIRMAN: Reid, T. P. (Rainy River L-Lab.)
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Villeneuve, O. F. (Stormont, Dundas and Glengarry PC)
Yakabuski, P. J. (Renfrew South PC)

Substitutions:

Kolyn, A. (Lakeshore PC) for Mr. Yakabuski
McGuigan, J. F. (Kent-Elgin L) for Mr. Sargent

Clerk: White, G.

Researcher: Fletcher, M.

LEGISLATURE OF ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday, May 21, 1981

The committee met at 10:13 a.m. in room No. 151.

ST. MARYS CLINIC
GENERAL BUSINESS

Mr. Chairman: Ladies and gentlemen, the meeting will come to order. I would think that we could all be here a little before 10 o'clock because we do not have too much time to deal with all the matters we hope to.

I would also ask that when you are speaking you try to address yourselves as much as possible into the microphone. The two people we have had problems with in this regard are not here at the moment, so it is like the preacher in church telling those who are not there they should be.

We will now distribute the agenda. We were going to deal this morning with the matters arising from last year's committee meetings in regard to the St. Marys Clinic, the health services organization. Unfortunately we received, only yesterday at four o'clock, a letter from the Deputy Minister of Health, Mr. Campbell, indicating that he and Dr. Suttie had a prior commitment and could not be here today.

Quite frankly, I am somewhat disturbed about this. If you have read last year's report, and I trust you have, the Ministry of Health was less than co-operative in assisting the committee in looking into the health services organization at St. Marys. As far as I am concerned, they did their best to block any attempts the committee was making to resolve the roster system at St. Marys. You may recall, as well, we mentioned in our report that the three party committee mentioned that we were less than satisfied with the co-operation we had.

Our clerk phoned the deputy minister's office last Thursday afternoon asking them to be prepared to be here this morning. Following that, a letter was delivered on Friday. It was not until yesterday at four o'clock that this letter was received by our clerk. It is addressed to Mr. Graham White, as clerk of the standing public accounts committee:

"Dear Mr. White:

"Thank you for your letter of May 15, 1981. Unfortunately both Dr. Suttie and myself have prior commitments on May 21, 1981, which will not permit us to attend the next meeting of the public accounts committee. However, we stand ready to oblige the committee at a subsequent date.

"In view of the above and in order to expedite the committee's deliberations, I would be pleased to make a written response to your report available as soon as possible.

"I look forward to hearing from you.

"Yours sincerely."

I find this kind of action by the deputy minister unacceptable. I would hope the committee would give me instructions to write on the committee's behalf to the deputy minister and point out to him that we are most dissatisfied with this response, that they might have had the courtesy to inform us earlier and to ensure that they will be here next Thursday.

Mrs. Scrivener:: I would like to move that the committee request Dr. Suttie to make a written response to the report and also to attend the presentation of that response personally so that he can answer our questions. I do not think there is any cause to rebuke anybody who is a civil servant in the Ministry of Health. They are all as busy as we are and they all have their heavy schedules. I do not think they had that much notice from us.

Mr. Chairman: They had a week, Mrs. Scrivener. I think it might have been only courtesy for them to have phoned earlier, because we have nothing else on the agenda now other than to discuss the agenda.

Mrs. Scrivener: That is regrettable. Still, it is a short week this week and I think all of us are exceedingly busy. It is possible that Dr. Suttie had a bind, I do not know. But I would forgive him at least this time.

Mr. Chairman: Would you write that out, Mrs. Scrivener, please? I requested at last week's meeting that any resolutions or motions be written out so there is no concern in anybody's mind.

Mr. Cunningham: Mr. Chairman, I share your concern with regard to their reluctance to appear here today, especially in view of the comments that have been made about their participation in the past, more particularly Dr. Suttie. I am not anxious to see that he be rebuked, for what that is worth, but I do think the very clear impression should be left with him that this is a very important committee of the Ontario Legislature; that our obligation to the public is very great; and that we are unable to discharge our responsibilities if they do not attend and if we and the auditor do not get co-operation from them.

I find it fundamentally discourteous that at four o'clock on the day before their appearance, they would notify you and indicate their reticence to appear here today. I would tend to agree with Mrs. Scrivener that they are very busy people--we are all busy people--and it has been a short week, but notwithstanding that, I think that they would have known by Tuesday or, at the very latest, Wednesday, that they were unable to attend and that they might have endeavoured to notify us earlier.

10:20 a.m.

I really think, Mr. Chairman, that a letter from you to the minister, indicating the facts as they are, would be in order so that the minister might direct them to be more courteous with regard to the work this committee has to conduct.

Mr. Philip: Mr. Chairman, it has always been recognized that the work of the Legislature takes priority over any other work; even judges have recognized that in granting recesses for witnesses to appear before various committees of the Legislature. I think that is a principle we have constantly to reaffirm to some people who think that perhaps their own matters take precedence over those of the Legislature, which is the voice of the elected people.

I concur with the statement you have made.

Mr. Chairman: I am not, of course, going to do anything the committee does not direct me to do.

Mr. Cousens: Mr. Chairman, there is room for doubt. I do not see the intention that is being ascribed to them as might well be coming across from some of the concerned people. I feel that Mrs. Scrivener's suggestion is a way of at least saying, "Hey, you know who we are."

By virtue of getting that letter and following it through, there is a statement. I do not think that we gain an awful lot by starting to hammer people at this point. We will have plenty of opportunity. It is going to come through, we are going to see the report, we are going to have a chance to investigate it, and I and you are all anxious to complete this investigation of what is going on here. So it will happen.

The facts that we are going to look at will not have changed from now until next week or when we can fit them in. I think we should make every effort to fit them in at the earliest opportunity and I think that will happen.

Mr. Cunningham: To Mr. Cousens, through you, Mr. Chairman. Don't you find it a bit abusive that your valuable time and the limited time the committee has is going to be wasted as a result of some decision that they have made not to appear here today?

Mr. Cousens: Through you, Mr. Chairman: Who knows? I do not know when they got the word to be here and I do not know all the details surrounding it, so I do not want to prejudge the whole scene. I am just saying I know that we are still going to be in a position to evaluate the total affair.

Mr. Chairman: I would like to read you something from last year's committee's report. It is on page 30:

"The committee is also disappointed by the apparent lack of concern with the question of value for money displayed in our hearings by the officials most directly charged with the responsibility for the program, Dr. Boyd Suttie and Mr. Ray Berry. In particular, the committee is disappointed with the quality of responses to requests for information and with the lateness of these responses which served to hinder the committee in its work.

"The committee is also displeased by the lack of co-operation by the ministry with the provincial auditor in his

comparison, at the direction of the committee, of the roster of St. Marys Clinic and the patient lists of nearby fee-for-service practices."

Mr. Foulds: The Ministry of Health officials have known that they were to appear before this committee for how long, Mr. Chairman?

Mr. Chairman: The deputy minister's office was phoned last Thursday afternoon. They were aware, because it was in the press, and I believe somebody from the Ministry of Health has attended most of our meetings, that we were preparing to examine this particular topic.

Of course, they knew from our report last year that the auditor would be making a further report and that we would be following up on it. They were notified last Thursday afternoon by telephone; and a letter, according to Mr. Campbell's letter, arrived on May 15, which is six days ago.

Mr. Foulds: What substantive reasons did they give for not appearing?

Mr. Chairman: They just said by way of this letter that arrived at four o'clock yesterday, "Unfortunately both Dr. Suttie and myself have prior commitments on May 21 which will not permit us to attend the next meeting of the public accounts committee."

Mr. Philip: It certainly would be interesting to ask them when they do appear what those prior commitments were .

Mr. J. A. Taylor: Mr. Chairman, you have had the benefit of past participation in the public accounts committee. While I had some involvement years ago, I have not, in recent years, been a member of the public accounts committee. I do not have the background you have in connection with this particular item. Obviously your committee has reviewed this particular matter in the past, to what extent I do not know, Am I correct in that observation?

Mr. Chairman: You are.

Mr. J. A. Taylor: And you have observed that there has been some reluctance on the part of the ministry personnel to co-operate. You did not see obstructionism, or did you? I gathered that what they said was equivalent to that particular word. And I see you nod your head in ().

I think that is a pretty serious accusation, and I am not certainly going to agree or disagree with that because, as I say, I am coming in as a new member of this particular committee. But I do insist on (inaudible), which was my concern last day, in regard to the perception I received of trying and convicting someone before you give him a trial. It is that Alice-in-Wonderland type of procedure that disturbs me. In this particular case, I gather you are not reacting in a knee-jerk fashion, that there is some basis for your concern.

There are two issues I see that have been raised today. One is a wish--and maybe it is just wishful thinking--that the elected members be restored to some position of authority around this building. It may be a vain hope, but it is an ideal I have embraced for a long time. I do not know whether we will live to see that.

Mr. Philip: Greatly advanced under minority government through the committee system.

Mr. J. A. Taylor: Well, I do not know about that. You may be deluding yourselves if you really believe that. But I think that aspiration is a legitimate one, and that there should be some courtesy, if nothing more, shown to elected members in regard to what their particular task is around these buildings and in the Legislature. That is one issue, and I hope it is made clear that elected members are elected by the people of Ontario to do the best job they can for the people.

Which brings me to the second point I see that has been raised; that is the need for a written response. I see an observation, if not an indictment, in terms of certain matters under the aegis of the Ministry of Health. And you tell me there has been ample opportunity for the ministry to review this. At least I gather that is what you have said, Mr. Chairman. Am I correct in that?

Mr. Chairman: Yes, a copy of the auditor's report which was distributed to all the members of the committee about two weeks ago, was also given to the Ministry of Health people at the same time. So they have had this since May 7 as well.

10:30 a.m.

Mr. J. A. Taylor: What I was leading to was whether a written response would be a legitimate request; that is, whether the time to prepare a written response would be a legitimate request.

Sometimes, if you have one side of the picture laid out in writing, and you do not have the response to balance that, then maybe there is an unfair perception carried forward, and you are fighting a battle to obtain some sort of balance.

I am certainly not here as an apologist for any ministry or the way in which money is being spent. If you look at the last budget that has come down, we are talking \$19 billion plus \$200 million or \$400 million, which is a lot of money. It is about \$2.2 billion more than the previous budget.

With that kind of spending--with the health services accounting for probably close to a third of the money--then this is a pretty serious area. And I have found it is not the money that determines the level of services, it is the efficiency of the way in which the money is spent to ensure that the people who really need the money are getting the money; that the money is not absorbed by the system or the process, by the deliverers of the service. It should be used by the people for whom it was intended to be spent on, and the people we intend to serve.

So I am not the least bit hesitant in pursuing, as vigorously as I can, any aspect of the Ministry of Health's programs that look as though they should not only be examined, but tightened up and streamlined, and made more efficient and effective wherever possible.

At the same time, what I am struggling for is to see whether or not it would be fair to have the ministry table its written response to the documentation we have, so we will have both together, and the media which are interested in these matters will have both of those items in writing. And we can then examine the issue together. Complete the pleading, so to speak, before we get on with the trial.

That is my only observation. I make it because I want to make sure that our credibility will depend on whether we are perceived as being fair in our deliberations, in our examination. That is the question that I put to you, and I would appreciate your response, and maybe the response of other members of the committee.

Mrs. Scrivener: Mr. Chairman, will you put the question, then we will have an answer.

Mr. Chairman: Mrs. Scrivener moves that Mr. Tom Campbell and Dr. Boyd Suttie of the Ministry of Health be requested to make a written response to the auditor's report on St. Marys Clinic, and to attend the committee personally in order to respond to any questions which may arise from the report.

I think that would deal with part of what you were asking, Mr. Taylor.

Mr. Cunningham: May I ask on a point of clarification, through you, Mr. Chairman, to the member, when it would be her intention to have them here? Could you put a time frame on this?

Mrs. Scrivener: I would not imagine it would take them very long to report. I do not have any idea.

Mr. Cunningham: I would have thought they would have been here today. I would be more than disturbed if we found next Thursday that yet again, for reasons unknown to us, the civil servants had determined again not to appear here, and the work of the committee was yet again frustrated.

Mrs. Scrivener: In view of all this discussion which is going to be published in Hansard, I cannot believe that the ministry would be so callous.

Mr. Chairman: They seem to ignore last year's report in this regard, but we do have a motion. Do you wish to have it read again?

Mr. Foulds: Yes, please.

Mr. Chairman: Mrs. Scrivener moves that Mr. Tom Campbell and Dr. Suttie of the Ministry of Health be requested to make a

written response to the auditor's report on St. Marys Clinic, and to attend the committee personally in order to respond to any questions which may arise from the report.

Mr. Cunningham: I would like to make an amendment to Mrs. Scrivener's motion, adding the words, "by May 28, 1981."

Mr. Chairman: Mr. Cunningham, does that refer to the written response?

Mr. Cunningham: And their attendance.

Mr. Chairman: Would you write that out, please?

Do I have a seconder for that amendment?

Mr. Cunningham: That will give them a minimum of two weeks. Of course, they were very well aware of the committee's concerns prior to that, so that time should be sufficient.

Mr. Chairman: Mr. Cunningham moves that Mrs. Scrivener's motion be amended by adding, "by May 28, 1981."

Mr. J. A. Taylor: Is there any discussion on that amendment?

Mr. Chairman: I was just about to say: Is there any discussion on the amendment?

Mr. J. A. Taylor: There should be a time frame. It is not a question of delaying it ad infinitum.

You know, when it's winter the snow comes and in the spring it melts and it goes; time takes care of a lot of things. I am not interested in seeing time dispose of a legitimate observation by the provincial auditor.

I would like to see the Ministry of Health respond by our next meeting, next Thursday. I do not know whether it is realistic to expect that response will indicate a complete report. In other words, I am not in a position to determine what an appropriate time frame is. I think there should be a time frame.

I would like to see the ministry respond, have someone here to respond at our next meeting. As to whether or not that report could be completed by the meeting, I do not know whether that is realistic.

I would be happy to support an amendment if there were a direction to respond by the next meeting without the expectation that the report, of necessity, had to be completed by next Thursday; only because I do not know what is involved in that written report or what might be involved in preparing that written report.

Mr. Cunningham: Very briefly, I am sensitive to the member's concerns, but we only have four or five meetings left. We are involved now in half an hour of valuable time of the

committee's work being wasted as a result of lack of concern, I would say, on the part of these individuals, more particularly, in my view, Dr. Suttie. But it is up to the committee.

Mr. Foulds: Obviously the issue is a sensitive one to the Ministry of Health and obviously there are policy considerations as well as monetary ones that they probably are wrestling with.

I suspect they are not philosophically all that happy with the capitation system at all. The suggestions that the provincial auditor has made in order actually to give that system some credibility and some financial soundness are very worth while.

I would like at least those people to appear before the committee by next Thursday to explain why they are not able to explain or respond. That, at least, might be useful in the process.

I am very much afraid that the old Mackenzie King tactic of postpone, postpone, delay, pile a parliamentary inquiry on top of a royal commission, is going to ensure that the issue is not debated before a public body such as this.

It is also important that we not use or think of the word "trial," as Mr. Taylor has done. What we are engaged in here is simply an examination of some expenditure that appears could have been and should be in the future handled somewhat better.

10:40 a.m.

The sooner we get the answers to that, the sooner we get that improvement in place, the better for the public accountability of one ministry and the public accountability of this committee.

I have very little problem with the May 28 deadline. Considering that the Ministry of Health has known for a considerable period of time--several months, if not more than a year--that there has been concern over this matter, and considering it has known now for three weeks--at least it will have had three full weeks to specifically respond to specific recommendations--I do not think we are being unduly punitive, and I do not think we are being unduly mandatory with a ministry accounting to the people's representatives as decided by the reality of March 19.

Mrs. Scrivener: Mr. Chairman, looking at the proposed agenda you have drawn up for us, and considering that all the facts in this simply do not vanish, I think the time frame suggested by the amendment is a little short, and I would suggest that a two-week time frame would perhaps be more sensible, all things considered, and especially when you consider where we are going to be discussing this.

Therefore, if the member would adjust his amendment, say, to June 4, I would be willing to accept and support that.

Mr. Chairman: You could amend your own motion.

Mrs. Scrivener: Do you want to change yours to June 4, or shall I amend my motion?

Mr. Cunningham: I would be willing to do that.

Mrs. Scrivener: Good. I would be content with June 4, which puts it on the same agenda with the Ontario Science Centre, and would seem to me, perhaps, to give us all a little more elbow room for that meeting, for the discussion that will take place.

Mr. Philip: Call the question.

Mr. Chairman: The amendment is then changed to "by June 4, 1981." Those in favour of the amendment? Opposed?

Motion agreed to.

Mr. Chairman: Those in favour of the original motion, as amended?

Motion agreed to.

Mrs. Scrivener: May I ask one question please, Mr. Chairman, just for my own edification? A couple of weeks ago you distributed the report on the St. Marys Clinic to us, and I think we were admonished that this was private and confidential and not to be made public; but the very next day we read press accounts about this.

Did you have a change of heart and did you release it to the press?

Mr. Chairman: No. We dealt with that, Mrs. Scrivener, at the last meeting. I did not release it to the press.

If you want to check the Hansard, I will not go over everything I said. I certainly did not release it to the press, but I think it is obvious that some people did. I think it is only fair, as Mr. Taylor has pointed out, that when these matters are being dealt with, people have an opportunity to have their say before the committee, and then the press can do whatever it likes with that testimony.

Mrs. Scrivener: When we have private and confidential matters before us, they should remain as such.

Mr. Chairman: What I intend to do, with the concurrence of the committee, from now on is not release these matters until the day of the meeting. We hope that the civil servants will be here at that time, but the information will not be released in advance of the time that we are going to deal with that particular subject.

Mrs. Scrivener: Is there no way that we can see them in camera?

Mr. Chairman: We can see them in camera, and then they can all be picked up; but it seems to me as responsible members of Parliament that is a bit of a funny way for us to operate.

Mrs. Scrivener: I agree, but obviously some discretion is required.

Mr. J. A. Taylor: Even in camera meetings are not necessarily airtight or leakproof.

It is a matter, I guess, of accountability. Who knows who leaked it? The chairman has absolved himself of any blame; he did that last week. Now he is saying he is going to be the custodian of those confidential documents until the committee as a whole deals with them, so if there is any leak we can nail his hide to the wall.

Mr. Chairman: No, Mr. Taylor, I did not say that at all. They will remain with the auditor, so we can nail the auditor to the wall.

Mr. J. A. Taylor: You will not even see them then?

Mr. Chairman: That is right.

Mr. Cousens: He doesn't trust himself.

Mr. Chairman: That would have been one of the matters the subcommittee would have dealt with, but we will talk about that at another point.

Can we move on to the proposed agenda? You might want to make a note that on June 4 we will also be dealing with St. Marys Clinic. You might also make a note that on June 11 the auditor will be making his report on the Urban Transportation Development Corporation, as agreed upon at our previous meeting. We will deal on June 11 with the Liquor Licence Board of Ontario and the auditor's report on the UTDC.

This is a proposal only that you have before you. Are there any comments? Are there any further suggestions?

I asked on two occasions that if anyone had any particular matters he or she wanted to deal with to please contact me. There was not exactly a stampede into my office. But if you have any further matters you wish to deal with between now and the end of June, please let me know. We are working on an agenda for the fall as well and we will deal with that at a later time. This will take us to the end of June. Our last meeting will be on June 18, depending on when the House adjourns.

Mr. J. A. Taylor: On the item for June 11, the auditor's report on UTDC, is that our auditor who is bringing forward a report?

Mr. Chairman: You will recall that last week there was a motion that the auditor have a look at--

Mr. J. A. Taylor: That is Mr. Scott?

Mr. Chairman: Yes, that he have a look at the audited reports of the UTDC and give us an opinion as to whether he feels

there should be some further work done or whether he is satisfied that everything is in order there.

Mr. J. A. Taylor: I did not see that resolution. I think it was written by hand while it was being debated. Is it possible for us now to get a copy of that particular resolution?

Mr. Chairman: Yes, it is.

Mr. J. A. Taylor: When I made reference to a "trial" earlier, Mr. Foulds, it was reminiscent of an indictment and, I thought, not a trial but a conviction of a particular organization, not only without any opportunity for that organization to respond, but without our having any evidence. I wanted to see what was involved in that particular item.

I am certainly not, and never have been, timid in terms of reviewing any particular organization of government, but at the same time I just want to repeat that I want to make sure that not only are we fair but that we appear to be fair in our deliberations.

Mr. Cunningham, I have no fear whatsoever in terms of the professional expertise and objectivity of our auditor. It is your objectivity and lack of expertise that particularly concerns me.

Mr. Chairman: Those gratuitous comments are not going to get us too far, gentlemen.

Mr. Yakabuski: Mr. Kolyn is supposed to be subbing for me this morning, Mr. Chairman, but I am taking Mrs. Scrivener's place at the moment.

Mr. Chairman: And a worthy substitute you are.

Mr. Yakabuski: I was just wondering, Mr. Chairman, is this schedule we have here etched in stone or anything, or is there a possibility of juggling some of the items?

10:50 a.m.

Mr. Chairman: You can do with it whatever you like, Mr. Yakabuski. The committee in its wisdom decided that they wanted to set the agenda in the full committee. They also suggested that somebody else do the work, and as this is only a suggested agenda you can do with it whatever you like.

Mr. Yakabuski: I think the Civil Service Commission is so important that I do not like it left until June 18, the day before the House, it is rumoured, will adjourn. I would like to move that one up to June 4. Why not do a reverse order and have the Ontario Science Centre on June 18 and the Civil Service Commission on June 4?

Mr. Chairman: Could I make a suggestion? The clerk is going to distribute to you copies of responses we have had from our last year's report--which I know everyone here has read carefully--in which we dealt with the Civil Service Commission. I

thought it might be helpful if we were to have three or four meetings in which the committee eased into its work, so to speak, and perhaps had a better appreciation of how the committee does do its work and who is responsible for what.

The Civil Service Commission was put at the end so that members would have had an opportunity to have dealt with some of the civil servants and some of the problems, which would put it in a context to deal with the Civil Service Commission at the end of the report. It is vitally important that you do read last year's report because otherwise we are going to thrash over a lot of grain we have already been over.

Mr. Yakabuski: Then perhaps there might be ample opportunity to go at that one again in the fall.

Mr. Chairman: Yes.

Mr. Yakabuski: In the light of the fact we have many new members and, as you said, maybe some people would like to get the feel of the committee, some of its methods and the way in which it works, I will forget about that for now.

Mr. Chairman: I expect we probably will be dealing with it in the fall.

You might note there are two other matters at the bottom that we may slot in. Generally we have dealt with two matters from the auditor's report in a morning sitting, but because almost everybody on the committee is a new member we thought we would do it this way. However, if we find next week, for instance, that things are going more quickly, we can slot those two in in the subsequent week.

Mr. J. A. Taylor moves that the agenda, as printed and amended, be adopted.

Motion agreed to.

Mr. Cousens: Mr. Chairman, there are two things that I would like to open up in some way for future discussion, and it might require a little bit of time to develop the stance we will want to take.

First, the federal government, through Treasury board, has just completed a study, which has not yet been published because it is still in translation, on whether or not it is more economically feasible to maintain their data processing for the federal government within the government, or to farm it out to outside data processors.

The large cost associated with computerization and the large staffs required to maintain it within the Ontario government civil service is something that could well be a subject for us to look at. Would it not be more beneficial for private enterprise to be doing some of this than to have it being done internally?

I am as concerned as many other members are that we do our

best to make sure we are running the government efficiently. Are we looking at that whole subject of whether or not we should be doing it in house or out of house? To me that is a very big question.

We could well get a few leads from what the federal government is saying. I have not seen the report, but it could be a report that our auditor would want to look at and maybe we, through our committee in the fall, could begin an assessment of that.

I do not know the answer, and I am not trying to go on a fishing expedition, but I know that a lot of corporations are buying their data processing service outside their corporations now, rather than retaining it inside, because they can gain more efficiency and better cost effectiveness that way.

That is my first question of a general nature. I do not see how we can discuss it in a lot of detail now, but--

Mr. Chairman: I understand that you and the auditor are making arrangements--

Mr. Cousens: On another matter, Mr. Chairman, which has to do with the security of our systems. The question I am now asking has to do with the whole cost effectiveness.

Mr. Chairman: I am sure you will be interested in going back to reports four years ago in which we dealt with the matter of the security of the system, but probably not in the in-depth way that we should have done.

We will make a note to find out when that report is going to be available from Ottawa and then, perhaps, we can take it from there. As you say, it might be a matter that we can discuss in the fall.

Mr. Cousens: The second subject has to do with something that I saw in the Globe and Mail last week, having to do with a company that is 25 per cent owned by the Ontario government, the Ontario Development Corporation. I am wondering whether or not this kind of situation is reviewed by our auditor: "This company is losing money substantially. We own 25 per cent of it, the federal government owns 50 per cent, a Japanese corporation, 12 per cent or thereabouts and private enterprise, 12.5 per cent."

Do we have any responsibility to look into companies that are being financed by the Ontario Development Corporation?

Mr. Cunningham: On a point of clarification: I wonder if Mr. Cousens could help us here. The Ontario Development Corporation, as I understand it, is a wholly Ontario owned entity. You were referring to a company that had obtained 25 per cent of their funding from the ODC?

Mr. Cousens: Yes. Are we going to continue to put money into a failing organization? Or to what extent is it a failing organization?

Mr. Cunningham: That is why we want to take a look at the Urban Transportation D Corporation.

Mr. Chairman: Mr. Cousens, I am a little confused. The Ontario Development Corporation is a lending operation. Is this what you are referring to?

Mr. Cousens: Maybe that is why I need clarification. Is that something we would look into or that the auditor looks into? Is it something the committee would be concerned about if it should not be a good investment?

Mr. Chairman: Our job is not to second-guess policy decisions. Our function is to ensure that they did it according to the guidelines and in the most efficient and economical way possible.

The ODC is audited by the auditor, but it is not a holding company, neither does it take shares in companies. It is not like the Canada Development Corporation, for instance. They do not own shares in any of these companies they are making loans to. There is no equity in them.

Mr. Cunningham: It might be a matter you would want to take up in Industry and Tourism estimates in the fall.

Mr. Chairman: Is there any further new business?

I have something further. I would like the committee to give me direction to write to the Chairman of Management Board of Cabinet (Mr. McCague) and ask that someone in his office be assigned to respond to those matters raised in our committee reports; and that someone from his office attend meetings of this committee so management board will be aware of its deliberations, since it is our final objective to improve the system. Often our reports do not come out till late in the fall and some of these matters can be dealt with by management board prior to that.

Part of the problem with the committee has been that there has been nobody in government "responsible" for dealing with the matters raised in the reports. So, again, there is no accountability as to what happens to the report once it is tabled.

Mr. Foulds: That sounds like an excellent idea, Mr. Chairman.

Mr. Chairman: You will have to speak into the microphone, Mr. Foulds and Mr. Peterson.

Mr. Foulds: That sounds like an excellent idea, and I would so move. It reminds me of--

Mr. J. A. Taylor: Mr. Chairman, I am surprised you did not come up with that in your previous role as chairman prior to the last election. Anyway, I do not want to debate the issue. Certainly I do not see any objection to that. I think it would be worth while.

Mr. Chairman: Everyone agreed? We did attempt to do this at one point. There was someone appointed, and then it sort of fell off, if you know what I mean. It was being done and then all of a sudden--

Mr. J. A. Taylor: It fell off the wagon.

Mr. Chairman: Yes. Before March 19, I guess.

Mr. Foulds: The process reminds me of all those recommendations that are made by coroners' juries, as a result of inquests, and there is no one responsible in government for ensuring that they are followed up. In this case, at least in this small area, we seem to have had--

Mr. Chairman: We had one further matter, and that is, we have to set a budget. What we have to know now, because we would like to have at least a preliminary budget approved by the Board of Internal Economy, is whether or not we will sit this summer.

We have had in our budget over the years a trip to Washington to see how the general accounting office operates down there. But I do not think we are quite ready to do any of that.

The real question is whether or not we are going to meet this summer. My personal feeling is that at this moment it would not be of particular benefit to us, but I am at the pleasure of the committee on that. If we are going to meet we have to put that in the budget.

Mr. Yakabuski: It is there in case you want to go.

Mr. Chairman: Not for the trip to Washington. It is just if we would meet here.

Mr. Cunningham: Is there a deadline that has to be met to provide the board with this?

Mr. Chairman: We obviously have to have it approved by the end of June. I think there are only two more meetings of the Board of Internal Economy. The budget has to be passed by the committee, which means that it probably has to be approved next week and get it to them so it will be approved.

Mr. Cunningham: Through no fault of your own, Mr. Chairman, I believe this is the third meeting the committee has had and we have really yet to get down to the guts of any of these reports and take a long look at the items that have been outlined for us. I must say, I think our agenda, as it has been adopted, is somewhat ambitious and as well, somewhat contingent on whether Dr. Suttie chooses to attend on June 4.

I do not know whether we are in a position at this point to say that even maybe by the early part of June, we will have made any progress on these matters and examined them in the detail they require. I do not know whether it might be appropriate, some time before the House comes back, I gather likely in October, that this committee involve itself in an examination of these matters,

especially if by June 18 we do not examine these items in detail. I rather doubt that we are going to cover all these matters by that time.

Mr. Chairman: What we could do is draw up a budget and put three days of hearings in the budget. And if we do not use them this summer, we might well use them in January or February in any case. So we will construct a budget for next week and put three days of meetings in, and if we use them, fine; if we do not, the money will just revert to a consolidated revenue fund.

Mr. J. A. Taylor: Three days after the House is adjourned?

Mr. Chairman: Yes.

Mr. J. A. Taylor: Because I was going to make the observation that it is questionable that the committee would be sitting when the House was not sitting. If it was the committee's intention to do so, that would be a determination of the House itself. And if there is some thought of sitting when the House is not sitting, that is, throughout the summer, then you would have to make some contact with the House leaders to see whether that was feasible or possible. I am just throwing it out as a caution before we start budgeting for something.

Mr. Chairman: We have had no problem in the past and, as you know, there are not going to be as many select committees meeting, for whatever reasons. But we will put it in. And we have to get authority from the House, so we will put it in. We also have to have a budget to pay for the coffee if nothing else.

Is there any further new business?

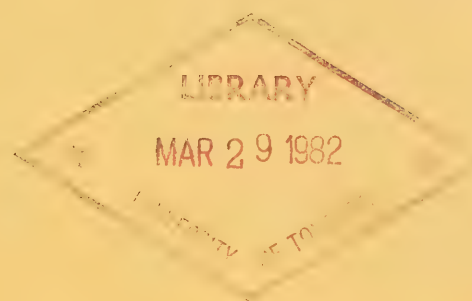
The committee adjourned at 11:04 a.m.

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STANDING COMMITTEE ON PUBLIC ACCOUNTS

AUDITOR'S REPORT, MINISTRY OF NORTHERN AFFAIRS:
COMMUNITY PRIORITIES PROJECTS;
FOLLOW-UP PROCEDURES RE BURSARIES

THURSDAY, MAY 28, 1981



STANDING COMMITTEE ON PUBLIC ACCOUNTS

CHAIRMAN: Reid, T. P. (Rainy River L-Lab.)
VICE-CHAIRMAN: Peterson, D. R. (London Centre L)
Cousens, D. (York Centre PC)
Cunningham, E. G. (Wentworth North L)
Foulds, J. F. (Port Arthur NDP)
Philip, E. T. (Etobicoke NDP)
Pollock, J. (Hastings-Peterborough PC)
Sargent, E. C. (Grey-Bruce L)
Scrivener, M. (St. David PC)
Taylor, J. A. (Prince Edward-Lennox PC)
Villeneuve, O. F. (Stormont, Dundas and Glengarry PC)
Yakabuski, P. J. (Renfrew South PC)

Substitution:

McClellan, R. A. (Bellwoods NDP) for Mr. Foulds

Also taking part:

Kolyn, A. (Lakeshore PC)

Clerk: White, G.

Researcher: Fletcher, M.

From the Ministry of Health:

Copeman, Dr. W. J., Program Manager, Underserviced Area, Northern
Ontario Public Health Service, Public Health Branch
Kawall, Dr. K., Senior Consultant, Public Health Branch
Smits, O., Accountable and Collections Supervisor, Central
Accounting, Finance and Administration Division

From the Ministry of Northern Affairs:

Herridge, A. J., Deputy Minister
Tieman, W. D., Executive Director, Planning and Administration
Division

From the Office of the Provincial Auditor:

Scott, F. N., Provincial Auditor

LEGISLATURE OF ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday, May 28, 1981

The committee met at 10:07 a.m. in room No. 151.

AUDITOR'S REPORT, MINISTRY OF NORTHERN AFFAIRS:
COMMUNITY PRIORITIES PROJECTS;
FOLLOW-UP PROCEDURES RE BURSARIES

Mr. Chairman: The committee will come to order. We are dealing with two matters relating to the Ministry of Northern Affairs this morning: item 213, observations re community priority projects in the Ministry of Northern Affairs; and item 214, inadequate follow-up procedures re bursaries. There are people, as well, from the Ministry of Health, to assist us in our questions dealing with item 214.

We have with us this morning Mr. Art Herridge, Deputy Minister of Northern Affairs. Mr. Herridge, would you care to join us at the table, together with and any staff you would like to have with you?

Mr. Herridge: Mr. Chairman, I would like Mr. Dennis Tieman, who is the executive director of our finance and administration division, to join me at the table. The balance of our staff are resource people. If we get into the depth of detail that would make the best use of their expertise, we will introduce them at that time, if that is agreeable.

Mr. Chairman: Thank you very much. It is nice to have your co-operation and the presence of your staff with us this morning. Mr. Tieman is no stranger to some of us now sitting on the committee.

Mr. Herridge, do you have any comments you would like to make on section 213 of the auditor's report in regard to the community priorities projects?

Mr. Herridge: In general terms, Mr. Chairman and through you to the members of your committee, the type of comments that are offered on page 50 of the auditor's report for 1979-80 are ones that, as I think we have indicated in our correspondence with the provincial auditor in broad general terms we have no difficulty with. On the one hand, we understand the basis for the comments which are offered, and on the other, we see the appropriateness and wisdom of following those through in projects which are currently under way, or those that would develop in the future. That speaks to the generality of the comments that are offered.

In respect of the first one where it is suggested that objectives be clearly established and related to program objectives, I think it has to be kept in mind, certainly in respect of one or two of the specific projects which are

identified, that some of these projects had their origins prior to the creation of the Ministry of Northern Affairs. That does not invalidate the comment in the generality, but it does place in perspective, at least, the involvement of our ministry.

10:10 a.m.

We have moved to inject some of the recommendations and some companion discipline into this system of developing projects by designing a project approval form, and all proposals for projects coming through this ministry's committee system for ultimate review with the minister.

The second point is made that "there is little evidence of alternative courses of action being evaluated." Perhaps what is being spoken to here is the lack of documentation or evidence that alternatives were in fact considered when, from our point of view, they certainly were, particularly through the negotiation and early stages of development of the project by reason of our consultation with the other ministries, which have, depending on the project, prime line responsibility for the delivery of that program.

In the case of social projects, we deal with the Ministry of Community and Social Services. In the course of maturing the project in consultation or in concert with them, alternatives are put forward and dealt with. It may be that the record does not show this, but from our point of view, they certainly are always considered alternatives--with the most obvious and persistent alternative of all being that of doing nothing about the particular situation that is being identified.

The third point on cost overruns is one that is addressed in the particular projects. It is a recurring or constant hazard, if you will, particularly when projects are being developed with a certain degree of haste and insufficient time is taken to do the necessary refinement of cost estimates which form the basis for grant awards, or whatever form of funding approval is taken. The point is accepted as made. It is a specific project concern each time we are involved in allocating moneys.

The question of cash flows exceeding immediate requirements and resulting in substantial benefits accruing to municipalities is open to discussion or debate whether that is the case with respect to the Thunder Bay proposal. But the point in general terms is one that, again, we have taken into account.

Where moneys are being flowed in advance of expenditure needs, there is clear indication, in the conveyance of the grant, that such interest as will accrue until such time as the expenditure is made, will be deemed to be part of the grant. That provision is made if it is necessary to flow the moneys ahead of time. As far as possible, we try and avoid that. But in recognition of the point being made, it is identified as specific revenue which accrues to the municipality or to the receiving body and will be deemed to be part of the grant.

Those are just some general comments by way of the four points which are made, Mr. Chairman.

Mr. Chairman: Mr. Herridge, perhaps you could give us a very brief exposition on how municipalities in northern Ontario would apply for these grants, the process by which the application is made and how it is approved. A question arises in my mind that the two identified by the auditor are those for Thunder Bay and North Bay, two of the larger cities in northern Ontario, as opposed to some of the smaller communities, such as Ignace, for instance, where they do not have the resources of the larger cities. do.

Are there any set criteria for applying, such as how large they have to be, or is it done on an ad hoc basis? What is the process we go through?

Mr. Herridge: Mr. Chairman, the two examples that you have cited, Thunder Bay and North Bay, form part of a federal-provincial initiative that followed the signing of the general development agreement between Canada and Ontario. It which attempted to address the infrastructure needs of the major centres in northern Ontario. I think that that in addition to North Bay and Thunder Bay, Timmins, Sudbury and Kenora were also part of that. The major centres were addressed as a discrete group in federal-provincial agreements that followed 1974.

With respect to being federal-provincial, there was joint funding and it was jointly arrived at that this would be the initiative undertaken by the two governments. With respect to smaller communities, be it Ignace or Englehart or whatever, quite frequently the path that is followed is that the community, through an expression of interest or desire on the part of the town council, writes directly to the minister, saying they would like some assistance with whatever it may be--servicing industrial land, a project, a specific need, sewer and water upgrading, et cetera.

The request is then referred back to our appropriate field staff office, either Kenora in the case of northwestern Ontario, or Sault Ste. Marie in northeastern Ontario, and our staff work with the community to make sure we have an adequate understanding of what it is the community thinks it needs or wants. Then we consult with the appropriate line ministry. In the case of sewer and water or infrastructure upgrading, we would work closely with the Ministry of the Environment staff to see what their analysis of the need situation was and so on.

As a result of the staff work that is done between the ministries which are directly concerned with the request, a recommendation then comes back through our committee system from the field office, and it is reviewed by the ministry management committee, discussed with the minister, looked at from the standpoint of policy, precedent, funding capability and the like, and a decision is made.

Mr. Chairman: What is the budget in the ministry for this program?

Mr. Tieman: It is approximately \$30 million. In the current fiscal year the program has been broken into more discrete

components. When you see the printed estimates you will see that in order to provide clear objectives to the kinds of support we are making available, we have a new program structured. So it is hard to compare between the years.

Mr. Peterson: It is almost discretionary money in your hands, and I assume you have a flood of requests for this money from various communities for different kinds of projects, not necessarily of a similar type. Is that right?

Mr. Herridge: No, Mr. Peterson. I would not accept the observation that it is totally discretionary money and that it can be used for anything that we may deem appropriate. There are broad parameters in this program as to things that can and should be done. There has to be in order to comply with the estimates process budgeting. There is certain flexibility to recognize differences of need among communities.

Mr. Peterson: How do you weigh off a sewer system in Fort Frances versus an industrial park in Ignace? That is a bad example, but how do you prioritize those types of things?

Mr. Herridge: In the initial financial planning or allocation process for an upcoming fiscal year, there are some broad allocations or amounts of money which would be spend, let us say, in servicing industrial land in the general, without it necessarily being identified, at that point, community specific. There will also be an amount of money that will be allocated for sewer and water infrastructure projects--a broad amount.

Mr. Peterson: Out of this \$30 million?

Mr. Herridge: Correct.

Mr. Peterson: Just to be helpful, out of the \$30 million, could you give us the rough breakdown--so much goes into sewers and so much into industrial parks, or whatever? What are the broad categories we are working with? Just in rough terms.

10:20 a.m.

I am trying to get a feeling for your decision-making process. I guess that is one of the things we are concerned about here.

Mr. Herridge: While we are identifying the approximate amounts that you are interested in, in most instances the money we have allocated for sewers and water, just to use as an example, is money that is alongside, if you will, of money that the Ministry of Environment also has for the same project.

Mr. Peterson: This is sort of a supplemental project, in a sense.

Mr. Herridge: That is correct.

Mr. Peterson: If we did not have the Ministry of Northern Affairs all these other things would be done by the other

ministries. You are sort of another stage of bureaucracy, with extra little moneys to hand out, right?

Mr. Herridge: No, I am not prepared to accept all of what you have said, with respect, Mr. Peterson. The purpose behind our having moneys for sewers and water--again, to try to keep some focus on the discussion--is to ensure that the unique or specific or special needs of northern Ontario are taken care of; whereas, if the Ministry of Environment was looking at all sewer and water projects in Ontario and judging them according to equal criteria, then it would not necessarily secure for the communities in northern Ontario what they need.

Mr. Peterson: In other words, you bring a northern Ontario bias into these kinds of things and you fight with the ministry. You bring a limited perspective into the whole thing.

Mr. Herridge: We bring a northern Ontario perspective into provincial programs.

Mr. Peterson: By no means did I mean to insult my dear friends from the north.

You are sort of another counterweight. You are another high-priced lobby group for the north to fight for certain allocations, right? Assuming that this was a fair, rational, dispassionate system where we could all see needs objectively, we would not need you.

Mr. Herridge: That is a fair assumption that you have suggested. How realizable it is I leave to you to determine. What I would suggest is that there are times when, with our money acting alongside of or in concert with that of the Ministry of the Environment, we are able to make things happen a little faster. We are playing catch-up ball in most instances because of the application of province-wide criteria to northern Ontario, which has quite different sets of circumstances, capabilities and needs.

Mr. Peterson: Let me just ask this question. Do you always act as a supplemental program? I mean, suppose you could convince Environment that it should put the sewers and water in Fort Frances or whatever. Would that absolve you of responsibility? Or do they come to you to negotiate and say, "Look, out of our budget we will pick up three quarters of it; you take a quarter"? Are you always making deals with the other line ministries to try to urge your priorities on them, but recognizing that they have certain fiscal constraints too? Is that the way the process works?

Mr. Herridge: In general terms, what we attempt to do is to ensure that Environment continues to spend in northern Ontario that proportion of its larger budget that it has traditionally spent; in other words, that it does not cut back because of the existence of Northern Affairs.

Mr. Peterson: But you may have to give them some of your \$30 million as a little kicker. It is almost like another level of

government, like a DREE program: "You give so much; we will give so much; and we will make a deal, because we have problems in Fort Frances" or wherever. Is that right?

Mr. Herridge: Yes, basically that is right. It is obviously easier to influence priorities or to speed up things if there is some money in the hand.

Mr. Peterson: I am just trying to understand the whole thing.

Mr. Herridge: Again, Mr. Chairman, with respect, I think it is important to recognize that one of the fundamentals is that the ministry was put into a catch-up situation. It has an advocacy mandate to try to stimulate those who have line responsibilities to recognize the unique and pressing needs of the north, and to do it on their own.

Mr. Peterson: I am not saying that is wrong from a policy point of view. My problem is that I see a hell of a lot more bureaucrats making the same kinds of decisions that, if the system were working right, would not be necessary. Maybe it is right from a catch-up point of view. I guess that is a political decision, and you do not get involved in politics, I am sure. I am trying to understand how you lay off the priorities, again, of an industrial park versus a sewer and how you decide what is most pressing.

Mr. Herridge: We have committees, and they consult with the minister--and, of course, he has his own consultation processes--to determine what are perceived as the most pressing needs in the north.

To make an illustration which I think suggests an answer to the question, in the last two or three years there has been a reduced demand for serviced industrial land, for instance. There was, for a number of years, the feeling that if you had lots of serviced land automatically you were going to have all kinds of economic development and so on. I think that thinking has been changed, so that demand has been declining.

There has, however, been a continuing demand for upgrading of sewer and water systems. Given that there are 850,000 people in northern Ontario, there is a finite amount of sewer pipe that is required. We have that program set up so that within, I think it is, five or six years, at current levels of expenditures, that need will virtually be met.

What then happens, of course, as certainly the chairman and Mr. Foulds would know, is that you are dealing with communities, older communities, whose systems are getting a little worn out. So a different tier of problem arises. The program planning process in the ministry attempts to evaluate the current need and how long we will have to stay at that program to satisfy the need. This permits you to plan shifts and money allocation away from serviced industrial land, as in the example I cited, over to sewer and water or into social programs.

Mr. Peterson: You would present a list of the alternatives to the minister and he, with the advice of his committee, would say, "Look, in my judgement, these are top priorities and these are the ones we should go with this year." Is that basically correct?

Mr. Herridge: Yes, that is correct.

Mr. Peterson: Could you give us a rough breakdown of that \$30 million, showing into what kinds of categories it has gone?

Mr. Tieman: We sent out to get a copy of our estimates for this year, which has a breakdown of the allocations between the programs for the first time. Previously it was just shown in two programs, but we now have broken it down into the categories, and those will be in our estimates in the current year. We did not really come as well prepared to talk about estimates and spending as we did to speak to the report in front of us, but we will get that for you.

Mr. Peterson: Are those all shared-cost programs, virtually shared-cost with other ministries and/or the feds, or DREE or whatever?

Mr. Herridge: There are some where we share the costs with the feds, although for the most part in sewer and water they are winding down. There are many where we share the costs with the Ministry of the Environment, and there may be one or two in which we only share costs with the municipality. We try to look around for all of the willing partners we can find before we use our money.

Mr. Sargent: Would you explain why--this happened in 1974--you had an \$8.5 million overrun on the deal; that is, about 33 1/3 per cent? You were wrong by a third. Has that same picture been continuing over the last seven years?

The estimated costs in 1974 were \$23 million and your bottom line is \$31.7 million, about \$8 million wrong. Has that been the continuing picture since then?

Mr. Herridge: What do you mean, Mr. Sargent, by "the continuing picture"?

Mr. Sargent: I don't know. Are we talking about a yearly situation or is this just one shot?

Mr. Herridge: This was a one-shot agreement, if you will, that carried forward from 1974, and it is now in the stages where, with lawsuits and liens and one thing and another, it is in the process of being completed.

10:30 p.m.

Mr. Sargent: Okay. This is the only package on which you had an overrun of \$8.5 million then?

Mr. Herridge: The \$8.5 million you have identified is associated with this particular project.

Mr. Sargent: Yes. Your budget is \$30 million a year, is it?

Mr. Herridge: Yes, in this particular area.

Mr. Sargent: What is your experience on your ongoing projects then?

Mr. Herridge: Cost overruns are not uncommon, for reasons that have to do with a variety of things. One is the quality of the cost estimates in the initial instance.

Mr. Sargent: If you were in private business, you would go broke doing that, you know that?

Mr. Herridge: Are you suggesting cost overruns do not occur in private business?

Mr. Sargent: No, I am just saying you cannot do that indefinitely. But you are going along here now. You are always being bailed out.

Mr. Herridge: To extrapolate the \$8 million suggested cost overrun, or cost overrun, to everything else is somewhat unfair. I acknowledge that occasionally we do run into cost overruns because of construction problems, weather, short construction season and this type of thing. I think a review of our experience over the past three years would show that this is an increasingly tightened process, so that cost overruns are now the exception.

Mr. Sargent: Okay. What is your current experience then with all your projects? Are you having this kind of a shortfall?

Mr. Herridge: No.

Mr. Sargent: How do you know?

Mr. Herridge: When we allocate our money for a particular project, an amount of, say, \$400,000, we monitor the cash flow requirements during the project period; and when it starts to get close to the \$400,000 having been allocated, we--

Mr. Sargent: Well, why were you \$8 million wrong here then?

Mr. Herridge: As I mentioned, this project got started in 1974, shortly after the signing of the general development agreement, and there was a good deal of interest on the part of both the federal and provincial governments to have some projects get under way very quickly, to show that the general agreement that had been signed had, in fact, some meaning. As a result, some projects were started with what I think can be said to be insufficient time devoted to the development of hard cost estimates. That was one thing.

The second thing is that through the course of the project, which ran for several years, there were shifts in priorities and labour problems, construction problems, and the like, all of which contributed to the \$8 million.

Mr. Chairman: Mr. Herridge, where did you get the extra \$8.5 million to pay for the overrun? Where did it come from?

Mr. Herridge: I want to clarify for the committee that the agreement that resulted in the city of Thunder Bay and the city of North Bay projects predated the Ministry of Northern Affairs by three and a half years. It was in flight when Northern Affairs came on the scene.

The moneys for the shortfall, to use Mr. Sargent's term, could only have been jointly appropriated by the governments of Canada and Ontario.

Mr. Chairman: Have you finished, Mr. Sargent?

Mr. Sargent: One more thing: if you get in trouble, you go to DREE for the balance, for whatever you are short. You go to DREE for the money.

Mr. Herridge: It is a cost sharing agreement, Mr. Sargent, in which it is a 50-50 split, and there has to be--

Mr. Sargent: Can you tell the committee then that this is not happening now, that your estimations are on target and you do not have terrible losses?

Mr. Herridge: I think what I said was that, with the projects we are now handling, it is the exception rather than the rule for us to have cost overruns.

Mr. J. A. Taylor: Mr. Chairman, I had a supplementary, and it may not be too relevant now because it rose out of the questioning of Mr. Peterson, I think, and it has to do with the cost sharing of these projects. You made mention of the fact that in some cases you share with the municipality and the Ministry of the Environment; in some cases, just with the Ministry of the Environment; or in some cases, just with the municipality.

I was wondering, in what cases do you share just with the municipality, what type of circumstance?

Mr. Herridge: It would depend on the particular project. There may be projects that a community would wish to have realized in their community, for which there is no line--we are not now talking, of course, about sewers and water; if it is a sewer and water project Environment will always be a partner. It will depend on the priority how much they would put in.

Mr. J. A. Taylor: All right, that clarifies my question, because actually the conversation was in connection with the underground services, as I understood it.

Is your ministry's jurisdiction, in a territorial sense,

north of the French River, or how do you define your territory?

Mr. Herridge: Generally speaking, the French and Mattawa Rivers tend to be our southern boundary. For certain purposes and projects, we come down into the district of Parry Sound.

Mr. J. A. Taylor: It ends there, I gather.

Mr. Herridge: Correct.

Mr. Peterson: How does that work? Why not (inaudible). Where the hell is northern Ontario exactly?

Mr. Sargent: It is a political decision.

Mr. Chairman: Perhaps one question at a time, gentlemen.

Mr. Peterson: Just a supplementary to Jim's question.

Mr. Chairman: What would you define as northern Ontario, I think, is the question. It seems to vary--(inaudible)

Mr. Peterson: Definitely north of here.

Mr. Kolyn: Definitely north of the French River.

Mr. Chairman: Excuse me. Do you have an answer for that, Mr. Herridge? Would you define northern Ontario as that land mass north of the French River?

Mr. Herridge: I think traditionally, in the provincial jurisdictions, be it of the Ministry of Natural Resources or the Ministry of Transportation and Communications or most of the line ministries, north of the French and Mattawa River has been what has been considered to be northern Ontario.

Individual ministries may have variations on that particular line, depending on their own criteria for program application or implementation.

In our case, the district of Parry Sound, for certain programs, is included as being in northern Ontario.

Mr. Peterson: In certain programs it is, and in certain programs it is not. Is that what you are saying?

Mr. Herridge: That is right.

Mr. J. A. Taylor: I was wondering what potential for flexibility there might be, in terms of the boundary, whether that is a determination made from time to time, depending on the particular project, whether it is sort of a god's little-acre situation where you can shuffle around that acre depending on the circumstance.

I appreciate that, in a geophysical or geographical sense, there is a difference. If you are putting in sewers or water mains through the granite and the muskeg it is a lot different to

putting it underground in a farmers's field in southwestern Ontario.

I was wondering whether there is a finite boundary. If not, I may be able to work some of my little pockets of poverty into your particular programs, to give a financial boost to much-needed projects.

Mr. Chairman: Gentlemen, Mr. Taylor has made a comment. Would you care to respond to it?

Mr. Herridge: I understand the comment that Mr. Taylor is making, that one could perhaps draw similarities between areas that are outside our present mandated area and those that are in and determine that therefore the same programs should be made available.

10:40 a.m.

However, the ministry was created with a unique regional mandate, which is northern Ontario. What we are talking about is a departure from the traditional French River/Mattawa boundary for purposes of including the district of Parry Sound.

Mr. Chairman: You might want to take the question up with the Premier (Mr. Davis) and cabinet, Mr. Taylor.

Mr. J. A. Taylor: I will not pursue it. I would not want to deplete the funds of the ministry, just to illustrate even a better cost-benefit situation.

Mr. Chairman: I do not think you could get more bangs for your bucks than spending them in northern Ontario, but that is a personal opinion, of course.

Mr. Foulds: I have a number of questions, Mr. Chairman. First of all, remind me historically, when did your ministry come into being?

Mr. Herridge: February 1977.

Mr. Foulds: So you had to pick up the pieces in terms of this agreement having been signed in 1974. Who was administering it from the provincial government point of view before you came into being?

Mr. Herridge: The Ministry of Treasury and Economics.

Mr. Foulds: How does that jibe with your argument earlier in the conversation, that your ministry is an add-on in terms of funding for northern Ontario rather than an extra parallel bureaucracy if this agreement, for example, was already in place and Treasury was administering it, as badly or as well as any other ministry would have, presumably?

Mr. Herridge: The Ministry of Northern Affairs has several means whereby it is able to achieve its objectives. One is to put its money alongside that of a line ministry. It can also

operate as an advocate in which it attempts to persuade others to do more of or introduce new programs of theirs into Northern Ontario. In some cases we act as a co-ordinating ministry in which several ministries may be involved, or we may be designated as the lead ministry, as was the case in this instance, where we inherited it from Treasury because the regional priority program of Treasury at that time was transferred to the Ministry of Northern Affairs in 1977 when the ministry was created. So there is a variety of means whereby Northern Affairs works.

Mr. Foulds: Let me understand it, though, specifically with regard to this project. Did the money then become an item in your budget and the funding have to be all through Northern Affairs, or did you simply continue to administer the funding provided by Treasury?

Mr. Herridge: The funding and the responsibility were transferred to the Ministry of Northern Affairs at its creation; and the staff.

Mr. Foulds: This might be an unjust question to ask. What was the reason for the haste for the agreement in 1974?

Mr. Herridge: I am attempting to understand, looking back at what took place, with it necessarily have--

Mrs. Scrivener: Mr. Chairman, I am just wondering how appropriate that question is.

Mr. Foulds: It is appropriate because one of the main reasons that the overfunding took place, which is being given to this committee and to the auditor, was the haste with which some of the agreements were initially signed.

Mrs. Scrivener: Mr. Herridge was not part of that original haste, or whatever. I do not know how he can be expected to give a judgement.

Mr. Foulds: He is responsible for administering it. I prefaced my question by saying it might be unjust, but I would like to get some understanding of that.

Mr. J. A. Taylor: Can you inherit haste?

Mrs. Scrivener: He inherits the problems, but I do know that he should be asked to give an opinion.

Mr. Chairman: I think it is a legitimate question to ask. Mr. Herridge, of course, can deal with it as he will, but if you have read, as I know you have, carefully, our last year's report we suggested that whoever was in the present position of responsibility should be able to be answerable for decisions that had taken place in the past, because part of our problem in this committee is that hardly anybody ever seems to have been on site when the mistakes were made. So we hope that we will at least get some answers.

We are not here to attach any blame, certainly, to Mr.

Herridge or his staff because they were not there, but I think Mr. Foulds is trying to get behind the reasons of how the cost overruns took place, presumably in order that they do not happen again.

Mr. Herridge: Thank you, Mr. Chairman. As Mrs. Scrivener correctly points out, I was not part of the process, but my analysis of the circumstances associated with or that led to the cost overruns includes several things, as I mentioned earlier in the answer to Mr. Sargent.

There were construction difficulties incurred and I am sure from your particular experience, Mr. Foulds, and knowledge of the community, you would be aware of some of the construction problems that resulted, both in terms of the type of geology that was run into and changes--

Mr. Sargent: Would you please tell me this--

Mr. Chairman: Excuse me, Mr. Sargent. I would like you to allow Mr. Herridge to finish his answer and then if you have a supplementary--

Mr. Sargent: But he is skating around it.

Mr. Chairman: Then you may ask a supplementary at the end, but Mr. Herridge has been unduly interrupted before he has been able to finish his response.

Mr. Herridge: I simply point out, Mr. Chairman, that there were a variety of reasons for the cost overruns and these could be tabled for the benefit of the committee if you so wish.

With particular respect to the direct question of Mr. Foulds, why the haste, I think the analysis in retrospect which, as I am sure all of you recognize, is always 20/20, is that the signing of the agreement was something that was given a great deal of profile, for understandable reasons, particularly to the members of this committee.

Mr. Foulds: There was a federal election in July 1974.

Mr. Herridge: My memory bank does not grind out that kind of information.

Mr. Foulds: July 8, to be precise.

Mr. Herridge: The signing of agreements, as a matter of principle of agreement, is fine, but what people look for following that is something happening. I have the feeling, with great respect, that I am telling members of the committee things that they know far better than I. There was a desire to have some things happening. Projects had been identified in the course of the development of the agreement. The urgency then was getting shovels into the ground.

Mr. Foulds: Specifically you indicated the agreement was signed and the costs were established on the basis of preliminary

engineering work, quoting from the auditor's report. Do you have any indication how much engineering work had been done? How preliminary was it, how precise was it?

Mr. Herridge: I think our best sense of what engineering work was done was indeed that it was very preliminary. The process for developing the agreement that was signed was that several projects were identified as being necessary or desirable within the framework of the agreement, ball park estimates were assigned to Thunder Bay, North Bay and wherever else. These were plugged into the agreement and then the projects got started and the weakness of the preliminary estimates, I guess, emerged.

Mr. Foulds: You used the term, "ball park estimates." Would it be unfair--

Mr. Herridge: All I am confirming is that they were in fact preliminary estimates with perhaps not a great deal in the way of time taken for a desirable amount of engineering.

Mr. Foulds: Do you know if there was any concrete evaluation of, for example, material costs or whether was any concrete estimation of labour costs, or whether there was even any concrete evaluation of what the engineering costs would be?

Mr. Herridge: I am not aware of that.

Mr. Foulds: You are not aware that there were any done or you are just not aware of the situation?

Mr. Herridge: I am not aware of what the situation is.

Mr. Foulds: I think the ministry has agreed that there should be more detailed preliminary engineering work before proceeding with projects of this kind.

Mr. Herridge: Correct.

Mr. Foulds: Could you let us know how detailed that preliminary engineering would be? What would be the factors that you would take into consideration and how would the estimates be arrived at for projects of this kind in the future?

10:50 a.m.

Mr. Herridge: Depending on the scale and nature of the project, quite frequently moneys are allocated up front for pre-engineering feasibility studies. An actual consulting engineer or appropriate area of expertise and objectivity is retained for the purposes of giving us hard numbers.

On the basis of that then the project starts to take shape. But there is a discrete exercise to determine the amount of money that will be required.

Mr. Foulds: I am sorry, I do not understand your use of the word "discrete."

Mr. Herridge: Pre-engineering costs ultimately become

part of the total cost, but before we make any commitment with the balance of the costs, we are prepared to spend money on pre-engineering costs, feasibility studies or whatever you wish to call them.

Mr. Foulds: What I am trying to determine, so that we do not run into this situation again--which, I think, is the objective of all of us--is that in the feasibility studies that you are now talking about and I understand you would be making mandatory for projects of this kind before the agreement would be signed, what kind of data would you expect to have in those feasibility studies so you can make a hard cost estimation?

Mr. Herridge: The type of information or data that would be fundamental would be the cost and availability of materials; the cost and availability of competent contractors and appropriate labour supplies; the availability of land, if that is a requirement; and some indication that some of the contingency costs are built into the project. This type of thing.

Mr. Foulds: One of the things that is mentioned here is that there seem to have been a lot of sewer projects and construction projects of that type going on in those years. I ran into this experience when I was a member of the Hydro committee when we were looking at certain megaprojects much bigger than this.

Is it reasonable in the circumstances to follow up on the third recommendation of the auditor, which in effect, as I understand it, is the project should be staggered so that the availability of local contractors should be considered, because presumably they would know the territory better? Would the ministry consider postponing, for example, a project if they knew that say 18 months down the road more competent contractors would be available? Maybe that is not a problem right now at the present time because of the downturn in the construction industry.

Mr. Herridge: The principle of orchestrating project implementation to take into account the availability of competent contractors and labour supply is quite a valid observation. The other side of that coin is there are some advantages of scale, where the availability of a major paving contract in an area provides opportunities to do some ancillary projects in the area too, because the costs of bringing in a paving contractor to do an airport runway, let us say, is prohibitive in a certain sense.

So the comment on orchestrating contracts works both ways, both to optimize the availability of local contractors and labour supply, but also to improve the opportunity to secure some economies of scale.

Mr. Foulds: There is also the disincentive of inflation to consider presumably. Or does that get built into all of your contracts?

Mr. Herridge: You are suggesting that we had better do it now because it is going to cost more next year.

Mr. Foulds: Sometimes that might be--

Mr. Chairman: That is what has got us into this present bind of inflation.

Mr. Herridge: The overriding control in respect of adhering to that philosophy, if you will, is the availability of total moneys. You have so much money allocated by the Legislature, and notwithstanding any perceived benefits from spending twice that much because it will cost more next year, there is an upper limit.

Mr. Foulds: I have one more question.

Mr. Chairman: Will you make it short? I have given you 10 minutes.

Mr. Foulds: I did not quite understand your answer in response to the auditor's comment about the interest that was accrued to the city of Thunder Bay. You said that amount of interest will be taken into account in the total grant.

Does that mean that if you have a finite limit on your grant, you would deduct the interest from what the ministry actually handed out?

Mr. Herridge: What I was saying was the point that had been made by the provincial auditor in respect of their findings on the city of Thunder Bay project, was one that we were observing in the manner in which we allocate grant moneys now, outside the Thunder Bay experience.

The observation was made with respect to the Thunder Bay project. What I am saying is we recognize the principle or point that the auditor has made in that where we make grants of money to a community in advance of the moneys being required, as is sometimes done, the interest calculation is built into the amount of the grant. We know they are not going to need the money for six months, let us say; the accrued interest is part of the grant.

Mr. Chairman: You had a supplementary, Mr. Taylor.

Mr. J. A. Taylor: I had a supplementary, just backing up to the question before the last one of Mr. Foulds. I guess there is no such thing as a lump-sum or fixed-price contract any more--

Mr. Chairman: Is that a rhetorical question?

Mr. J. A. Taylor:--that either you agree or do not agree. I am not wishing to debate the name of the thing. It is simply that to go out and get a fixed price for any particular project I suppose is impossible today. You can get fixed unit prices and so on, but you do not know what the ultimate lump-sum price of your contract is going to be.

Mr. Herridge: It is very difficult to know when you have a price that it will be the final price.

Mr. Sargent: Just like with Hydro; they make a proposal system; it is the same thing.

Mr. J. A. Taylor: I won't pursue that.

Leading from there, I wanted to ask you whether you had any system of prequalification of contractors.

Mr. Herridge: Yes, certainly in the case of larger projects and in road construction contracts which we fund in northern Ontario through the Ministry of Transportation and Communications. They take full responsibility for the prequalification of all of the major road construction projects.

Mr. J. A. Taylor: I appreciate the history of that and the problems under George Doucet, I think, and the development of a prequalification system for road contractors, but I was wondering in terms of other types of works.

Mr. Herridge: The Ministry of the Environment has a somewhat similar management towards larger contracts for sewer and water projects where we, in concert with a line ministry, will be getting contracts for smaller projects. We attempt, through the tender system, to ensure that contractors have a proven record of accomplishment in the area. It is not as scientific, if you will, or as sophisticated as MTC's prequalification of major road construction contractors.

Mr. J. A. Taylor: Do you rely on any prequalification by operational ministries or do you have some criteria of your own or some list of your own?

Mr. Herridge: If the moneys flow from our ministry to Environment or MTC, their system is applied.

Mr. J. A. Taylor: If there are any moneys from those ministries, you use their system?

Mr. Herridge: We use their system.

Mr. J. A. Taylor: If they are not participating financially, then you have a system or don't you have a system?

Mr. Herridge: We do not have a system that compares with the MTC/MOE system, but we have a system of evaluating the past performance of contractors who would be tendering and seeking local knowledge and guidance on their capabilities and that type of thing. This is one of the elements that is considered in the determination of the successful contractor.

Mr. J. A. Taylor: Have you had any contracts that went bad, that you had to bring in another contractor to finish the job?

Mr. Herridge: I do not recall any.

Mr. Cousens: I am anxious to hear answers to Mr. Peterson's questions. It is the line that I would like to see followed up with.

One quick follow-up, Mr. Chairman, to your question on the shortfall: I would like to get a feeling of the percentage that

was paid on the shortfall by the federal government and the provincial government in relation to the initial expenditure where we had \$23 million and some; what percentage of that was federal and what percentage provincial? Therefore, did we get the makeup from the federal government that we should have?

11 a.m.

The second part of that question, which is supplemental to it, is why did we not immediately get some of that money back from the city where they had made some money on interest and so on? To me, there should be a follow-up there to make sure that that money does not all come from our Treasury.

Mr. Herridge: The answer to the first question is that the share costing between the federal and the provincial governments was 50/50, both with respect to the initial allotment of \$23 million and the cost overruns.

The second question, as to the recovery of moneys from the city of Thunder Bay, this is a matter that is currently under discussion and negotiation with the city of Thunder Bay which, in addition to dealing with the province in that respect, is also dealing in lawsuits with contractors and other parties that were involved. Perhaps Mr. Foulds could provide you with more details on that than I.

Mr. Sargent: Mr. Herridge, I know that your involvement is after the fact, we cannot blame you for the hocus-pocus. You made a discrete preliminary investigation before another package. It did not do you a hell of a lot of good, did it? When you say that your engineering investigation at the outset was that the sewer tunnelling industry in Ontario and Canada were fully employed and you had to go to American firms to do that, why would your pre-engineering not tell you that?

In other words, the point I am making is that there could be hundreds of things like this in a \$19 billion budget. When these guys come in here with these shortfalls, we should give them hell and send them back and say this cannot happen. We cannot give him a shot here for this because he had nothing to do with it. When you say that discrete engineering estimates were done first, that is ridiculous, when you then say that no Canadian firms could do the job. Did they not tell you that at the outset or what?

Mr. Herridge: There are two points, with respect, being confused here. One is that Mr. Foulds pursued the amount of detail that had been gone into in the preparation of the cost estimates for the Thunder Bay project. I admitted I did not have detailed knowledge of that, but rear-vision mirror analysis of it would suggest that it had not been gone into in tremendous depth.

Mr. Sargent: Who is to blame for that?

Mr. Herridge: I suppose that is the kind of judgement your committee is here to make.

Mr. Sargent: Do you not have an answer for it?

Mr. Herridge: I am not on the committee.

Mr. Sargent: You are telling us the answers as to why this is \$8 million wrong.

Mr. Herridge: I am attempting to explain my perception of some of the circumstances that existed at that time and the result.

Mr. Sargent: So the engineering was not discrete then?

Mr. Herridge: The term "discrete engineering" was the second part of my answer to Mr. Foulds.

Mr. Sargent: In ball-park figures, you said.

Mr. Chairman: Perhaps you could allow Mr. Herridge to finish.

Mr. Sargent: I am trying to help him.

Mr. J. A. Taylor: He does not need your help, Eddie.

Mr. Herridge: The term discrete allocation for pre-engineering or prefeasibility studies was the term I used in describing how we approach projects now. I was not talking per se about the Thunder Bay project. To avoid recurrences of this type of thing--

Mr. Sargent: You did not say that.

Mr. Herridge: I did.

Mr. Chairman: You did, Mr. Herridge, please continue.

Mr. Sargent: I apologize.

Mr. Herridge: I was trying to say that, Mr. Sargent. The point I was trying to make was that we recognize what we think went wrong and we are trying to build safeguards into the way we do things now to avoid recurrences.

Mr. Chairman: Are there any further questions on this?

I just have one, Mr. Herridge. One of the questions that arises, and I know it is a difficult one to answer perhaps, is how do you measure or evaluate the impact of the programs you are engaged in?

For instance, if you say we are going to put a sewer line in Ignace or Englehart, do you have any way of evaluating the impact on the community, a cost-benefit analysis? Presumably you do that somewhat before you approve the project. But is there any follow-up after the project is completed to see if you have met your objectives in this respect?

Mr. Herridge: In respect of sewer and water projects, not infrequently the type of benefits are ones that are measurable

in terms of the quality of water either coming into a system or going out of a system and here Ministry of the Environment has its criteria for determining degree of need for upgrading water and sewer systems in various communities and those with the greatest need are obviously the higher point in a priority listing. So you keep working away at the ones that have the most acute problem in terms of the extent to which they are treating their sewage before it goes into a waterway or the extent to which their water quality meets health needs.

In sewer and water it is a question of health and water quality criteria that you are dealing with rather than cost-benefit analysis. Cost benefit sometimes arises in the servicing of industrial lands where you put in infrastructure and develop lands for the purposes of industrial development, and you sit back and wait after you have made your investment to see what happens. If investors or entrepreneurs move in and set up some modest industries, then you realize or believe that you have done a good thing.

Mr. Chairman: Are you monitoring that kind of thing?

Mr. Herridge: By all means, and it has been that type of monitoring that is behind what I suggested earlier; that the amount of money we are investing in industrial parks and that type of thing tends to be sloping off.

Mr. Chairman: Are there any further questions on this item?

Mr. Cousens: Mr. Chairman, is Mr. Peterson's question going to be answered? Has the data been made available now?

Mr. Chairman: What question are you referring to?

Mr. Cousens: He was dealing earlier in the estimates with the jobs and the way in which they were prioritized.

Mr. Tieman: I have some data, Mr. Chairman, for the budget for the current fiscal year, 1981-82. Community priorities is \$30.8 million and it is broken into three major categories: community industrial development, which is \$18.9 million--

Mr. Peterson: What is community industrial development?

Mr. Tieman: Those are all industrial parks servicing, industrial studies and tourism related projects.

Mr. Peterson: Is that grants to tourism industries?

Mr. Tieman: Yes.

Mr. Peterson: So it runs into a BILD kind of program?

Mr. Tieman: Yes.

Mr. Peterson: Are you telling me that out of that budget you can give a tour operator so much money to build a motel or something like that?

Mr. Tieman: There are some funds in. The northern rural development agreement, which was just signed, is budgeted in there as well. It has not been decided yet which projects will be funded under that agreement, but obviously we have to budget for it.

Mr. Chairman: I think these questions, with respect, are more for the estimates than for this committee.

Mr. Peterson: You are probably right, Mr. Chairman. The only thing about this is the way--

Mr. Chairman: I think you will have to speak up, Mr. Peterson.

Mr. Peterson: The only thing about this is the way these things are prioritized. I think that is sort of germane to this discussion. I am taking certain liberties, I recognize that. What is developing, in my judgement, is this becomes a virtually discretionary pot of money with fairly loose parameters, and it runs in conjunction with or shares costs with other provincial programs.

It is obvious to see there is a real duplication in the civil service here. These guys are fighting from their northern perspective, but they are sharing it with either Environment or Industry and Tourism or whoever. Maybe that is the nature of the way that northern affairs has to operate, as virtually an interloper on the scene or as a new player on the scene pushing for a particular sense of regional priorities.

11:10 a.m.

I am not sure I have a better answer. In general, it is not coming out to me as the most cost efficient system, and to that end, I think we have some responsibilities, perhaps. I do not have the solution yet, but I will have it in another two minutes if you will give me a little liberty here.

You have \$18 million for industrial development.

Mr. Tieman: We had \$5.9 million for a program called community infrastructure, which is water and sewer projects and assistance. The remote airport program is included in there as part of the community infrastructure. Under community development, which is the other major category, it is \$6 million. That includes social and medical support--

Mr. Peterson: To build a health clinic in a town or something like that?

Mr. Tieman: Yes. Including funds for cost sharing the northern air ambulance program, which will be administered by the Ministry of Health, and what used to be known as the isolated community assistance fund, which is to provide certain types of support for the unorganized communities in northern Ontario.

Mr. Peterson: Why would you not just leave all these funds with the various other ministries, with your ministry just

having an advocacy role--go and fight with them and say, "You should put it there"? I am having real trouble with this.

Mr. Herridge: I think I understand the point that Mr. Peterson is is trying to get at, but it clearly was the determination of the government of the day that in order to achieve the purposes for which the ministry was created, advocacy of itself was not going to be sufficient. Therefore, two or three other things were done.

Programs that were currently operating in other elements of the government were relocated into the Ministry of Northern Affairs, such as the northern roads programs from the Ministry of Transportation and Communications, and the regional priority budget from Treasury and so on. In addition, certain funds were provided which enabled the ministry, in the catch-up ball situation, to add emphasis and reorient priorities. Advocacy, with great respect, is fine, except that advocacy with some leverage is perhaps better.

Mr. Chairman: We do go through this every year in the estimates of the ministry as I recall. Mr. Herridge, to help answer Mr. Peterson's and others' questions about how you arrive at--I hate the word, but I will use it--prioritize these things, do you have any guidelines that you use or that you could table with us in regard to how you arrive at the decisions on which projects are accepted and which are not?

Mr. Herridge: Just a question of clarification, Mr. Chairman: I thought I understood Mr. Peterson's concern was with priorities across programs as well as within programs dealing with projects, such as why we would allocate, say, only \$6 million for sewer and water projects as contrasted with \$10 million; how we make some of those decisions.

We would be prepared to provide the committee with a paper that articulates the process we go through in the application of criteria to determine priorities.

Mr. J. A. Taylor: Could I ask one final question? Are any moneys spent on programs as opposed to projects? In other words, is all of your money in a one-shot capital contribution, or is some of your money used to finance an ongoing program of some sort?

Mr. Herridge: There are two or three principles, Mr. Taylor, that we try to stick to in the administration of the budget of the ministry. The first is that we feel very strongly about the principle of self-help. In other words, if a community, an association, an individual feels it warrants government money, we feel if it is really as good as it is advertised as being, then presumably the proponent will wish to share.

Secondly, we try to stick to once only type of funding. We try to stay away from funding operating or ongoing undertakings. In general terms, we are successful in sticking pretty closely to 100 per cent of the once only type of capital funding. Otherwise our budget would become--

Mr. J. A. Taylor: I understand. I was wondering whether you are faithful to that particular posture. I gather your answer is yes. You do not fund ongoing programs; it is a one-time propositions.

Mr. Herridge: Yes. The one-time may go over two or three years, depending on the scale, however.

Mr. J. A. Taylor: I understand that the capital work may be spread over more than one fiscal year.

Mr. Herridge: Correct.

Mr. J. A. Taylor: But that is the extent of your participation.

Mr. Herridge: Yes.

Mr. J. A. Taylor: I see. Thank you.

Mr. Chairman: All right, gentlemen and lady, we will move on to the second matter now on the agenda dealing with the underserviced area program. We have with us, as well, Dr. W. J. Copeman of the Ministry of Health.

Doctor, perhaps you would like to join Mr. Herridge at the table here, please.

Mr. Herridge: Mr. Chairman, if I may, I would like also to ask Dr. Kawall, who is the consultant for the Ministry of Health in the dental area, as Dr. Copeman is in the medical practitioner area, to join us, because the program we are going to address takes in both medical and dental bursary programs.

If I may, I would like to make a few introductory remarks with respect to this program and then, depending on the nature of the questioning, we will determine whether we, as the funders of the program, or the Ministry of Health representatives, as the deliverers of the program are best qualified to answer.

The continuing health care problem in northern Ontario is that of attracting doctors, dentists and other allied health personnel to small, relatively isolated communities. To address this problem, the underserviced area program was introduced by the Ministry of Health on October 1, 1969. An integral part of this program was the provision of medical and dental bursaries to ensure a continuing supply of doctors and dentists in northern communities. The program had its origins before the Ministry of Northern Affairs came into being, but the comments of the auditor relate to the latter period, so we will stick to that area.

The management board, in June 1978, authorized the reintroduction of the program for the 1978-79 academic year for 50 medical and 15 dental bursaries annually. At any one time there is an average of 50 family practitioners needed in underserviced communities in the north. Between 1978 and 1981, the Ministry of Northern Affairs has provided bursaries to 104 family practitioners attending Canadian medical schools for a total of

\$592,000. The 96 doctors still on the program owe a total of 126 years of return of service.

I think you understand, Mr. Chairman, the principle of a bursary amount--\$5,000 it is now--for each of two years, in return for which the doctor stays in the community in the underserved area for two years.

Mr. Peterson: So for every \$5,000 you give them, you can expect one year of service.

Mr. Herridge: Yes, with a limit of two years.

Because of the internship requirements in Ontario, the minimum lead time from receipt of bursary to beginning to return service is two years, and the maximum may be six.

The first two family practitioners from the present program went to Dryden and Little Current in 1980-81. Six doctors will be placed in northern Ontario by the fall of 1981, plus a possible additional 13, if these decide not to do a two-year internship program. Sixteen more doctors should be available for placement by the fall of 1982. Thirty-two more should be available for placement by the fall of 1983.

All 1978 to 1981 doctors remaining in the program should be practicing in the north by the fall of 1984. The point that is being made here is the lead time from the time you initiate the program until the benefits start showing up with these doctors operating in the small communities.

Mr. Peterson: One quick question. What decides them going to, say, Sault Ste. Marie or Sudbury as opposed to Ear Falls? Do you specify where they have to go?

Mr. Herridge: We are getting into the part of the program that Dr. Copeman might better answer.

Mr. Chairman: Could you hold your questions until Mr. Herridge is finished, please?

Mr. Herridge: The next point addresses the comment which was made by the auditor in his report. "Of the eight bursary students who have dropped out of the program to date, two have repaid in full, three are paying in instalments, and the Ministry of Health collections office is taking steps to recover the remainder of the funds."

In other words, of a total of 104 students who entered the program, eight have dropped out and steps are under way to complete the recovery of the moneys from those eight.

With respect to dentists, at any one time there is an average of 15 needed in under-served communities. Between 1978 and 1981, the Ministry of Northern Affairs provided bursaries through the Ministry of Health to 36 dental students at a cost of \$193,000. Of the 36, six returned service--that is, they completed their two years of service in the assigned area and stayed on in

the north--two returned service and left the north, six are currently returning service--still there but in their two-year period--eight have opted out and 14 are still in college.

The 14 dentists who returned, or who are currently returning service, established practices in Chapleau, Kenora, Sturgeon Falls, Kapuskasing, Cochrane, Terrace Bay, Ear Falls, Dryden, Manitouwage, Englehart, or are working on the mobile dental coaches. Six of these dentists have remained on location after the return of service in Kenora, Sturgeon Falls, Kapuskasing, Cochrane, Ear Falls and Englehart.

This is particularly gratifying, Mr. Chairman, because it proves, if you will, the sense of the program. If you can attract people up there, a good percentage of them will see--

Mr. Chairman: The brighter ones will stay.

Mr. Herridge: I do not think I can improve on the comments of the chair.

Mr. Chairman: No need to try.

Mr. Herridge: Of the 14 bursary recipients still in college, seven will be placed in the north by the fall of 1981 and seven are expected to complete training and commence returning service in the fall of 1982.

Of the eight dentists who have dropped out of the program, five have repaid in full, and the remaining three are making payments.

There is also a program on a smaller scale for three bursary students in the field of audiologists and speech therapists.

Mr. Chairman: None for physiotherapists?

Mr. Herridge: No. Not as yet, Mr. Chairman.

That is the background, and with particular respect to the point that was raised by the auditor in summary, again, of the eight dentists who dropped out, five have repaid in full and three are making payments. In the doctors' program, of the eight who dropped out, two have repaid in full, three are paying in instalments, and the Ministry of Health collections office are taking steps to recover the remainder.

Mr. Chairman: In the auditor's report it says that failure to graduate or to practice will result in the demand for repayment of the bursary plus interest. What interest rate is being charged?

Mr. Herridge: The interest rate is something that goes back to an earlier comment of yours or Mr. Foulds, that the rapidly escalating interest rate has its effects in many places, and this is a matter which is under review. What has been charged has been 12 per cent; that is written into the agreement between the student and Dr. Copeman or Dr. Kawall, as the case may be.

Mr. Chairman: The auditor states, "since the ministry had no formal procedures to follow up on the discharge." Do we now have a formal contract, Dr. Copeman, that they must sign that makes it legally binding on them, or is this being done sort of on a, "we had a firm, friendly handshake," or what are the formal procedures now in place?

Mr. Herridge: Perhaps before Dr. Copeman considers his reply, the comment as made in the auditor's report that the ministry had no formal procedures to follow up on the discharge bespeaks the fact that it may not have been evident to the persons making the report that the program was funded and the criteria agreed between the Ministry of Health and the Ministry of Northern Affairs, but it was in fact the Ministry of Health that has the responsibility for, (a) the selection and contracting with the bursary student and, (b) the monitoring of the performance requirements, and that includes the repayment of funds.

So there was and is a formal process in place. I say this, with respect, to the auditor on your left. It may not have been evident because the audit was being carried out in the Ministry of Northern Affairs and not the Ministry of Health.

Mr. Chairman: Do you have a person within the Ministry of Health who liaises with Dr. Copeman or deals with these matters specifically?

Mr. Herridge: There is a person in the Ministry of Northern Affairs, yes.

Mr. Chairman: And is that a full-time position for this particular person or do they have other responsibilities?

Mr. Herridge: They have other responsibilities. There are many other programs in which this person works with the appropriate persons in health; the air ambulances, dental coaches and several other programs, but there is a person on our staff who has amongst his responsibilities the liaison with the Ministry of Health in respect of this particular program.

Dr. Copeman: The representative from the Ministry of Northern Affairs sits on our committee which is responsible for our program.

Mr. Chairman: I understand you are charging an interest rate of 12 per cent, you said?

Mr. Herridge: At the moment it is under review.

Mr. Cousens: This is supplemental to your question, Mr. Chairman, which is on the interest being charged. Is it charged as of the day the money is given to the successful applicant, and payable when? So when the person has had the use of this money for a period of time, would he then pay back interest for the period of time in which he has had it?

The second question, again to your point, Mr. Chairman, is that I would be interested in knowing the rate when this ministry

finally determines what interest rate they are going to charge, and that we get a report back as to what it is so we can get a better feel for it.

Dr. Copeman: This money is given, we want the return in service. The purpose of the program is to get the doctor to go into an under-serviced area and the interest rate has always been established to be a deterrent to the student from opting out. At the time that we set the rate, 12 per cent was considered to be quite an acceptable deterrent, but with the present inflation this figure is under review.

Mr. Chairman: Yes, but does the interest start from, let us say, 1978 when the person first got the bursary, or does it start when he finishes his medicine or dentistry and goes into private practice? I think that was the question.

11:30 a.m.

Dr. Copeman: Mrs. Smits, who is responsible for collecting the money back from the students, is here from the ministry. The student signs an agreement which states:

"I will repay to the minister in Canadian currency or at par and upon demand the amount of bursary assistance received by me, together with interest at the rate of 12 per cent calculated each year on the total balance outstanding. The first year's interest will be calculated at the end of the academic year of study and subsequent calculations will be made on the anniversary of that date. I will repay the total outstanding balance, together with accumulated interest, within six months of the termination of my internship if I do not return service."

Mr. Chairman: Obviously that latter part is flexible because some are making payments over a period of time. Could you table a copy of that agreement with the committee, doctor?

Dr. Copeman: Certainly.

Mr. Chairman: Does that answer your question, Mr. Cousens?

Mr. Cousens: It does, Mr. Chairman, and I think it puts the balance into it as well, because we want to attract people to the north but we also want to make sure that if they do not go there is a penalty and I think that considers the concern I was having.

Mr. Philip: How much responsibility do you have in the length of time that you allow for repayment? There is nothing in that agreement that says that somebody could not stretch it out almost indefinitely. At what point then do you take action and what kind of action do you have open to you?

Dr. Copeman: I think we have the lady here who looks after this part and perhaps she could answer more directly than I could to this question.

Mrs. Smits: Maybe the auditor section can substantiate

this. These accounts are sort of taken on an individual basis. There are some hardship cases but in this case I do not foresee any problems at all. All these doctors have just set up their practices and they are in contact with us.

Out of the eight bursary students, as Dr. Copeman mentioned, three have already repaid. There is another one who has left the province; he has paid \$3,720 and there is only a balance of \$360 left, one year's interest, that he has not cleared. The other two are making monthly payments and one has actually promised a lump sum payment this June before the next interest calculation on July 1. From the correspondence with them we know that they are setting up practice and they really cannot afford \$1,000 a month payments or so.

Mr. Philip: What are the monthly payments and what is the amount outstanding on each?

Mrs. Smits: We encourage them to pay as much as possible off the interest so we do not have to calculate additional interest on their capital again, so it is encouraged that the payment be at least \$325 a month.

Mr. Philip: There is nothing in the original agreement that says that it has to be a specific amount. What would happen if you did have someone who, in fact, looked as though he were defaulting by stretching it out or was erratic in the payments? Do you have a procedure in place now?

Mrs. Smits: Yes.

Mr. Philip: Could you tell us what the procedure is?

Mrs. Smits: According to the administration manual, if our attempts fail we transfer these accounts over to Government Services because they have more legal flexibility and they can also follow up on any of the ones who have left the province. Besides that, we use the College of Physicians and Surgeons to trace some of these doctors who leave the province.

Mr. Chairman: Have you had any bad debts that you have had to write off?

Mrs. Smits: Not in this program, no, and I do not foresee any since these amounts are not large.

Mr. Chairman: We found in another program--Mr. Taylor, you will be interested--in the loan program through the educational or Colleges and Universities loan program, that lawyers were very bad at paying back their loans, but we will not go into that.

Mr. J. A. Taylor: If you would like to go into that, you may find a very strong ally, Mr. Chairman.

Mr. Philip: I have one last question, Mr. Chairman. Have you had any instances of parts of the contracts being fulfilled, in other words, of only staying for part of the time agreed to?

Dr. Copeman: As pointed out in the presentation, my minimum lead time when I pick a student up is two years; the last year in medical school and one year of internship. This program is barely three years old. It has not run long enough for us to give you an answer to that question. In five years I can come back to you. I am sure we will have some cases where that may happen.

Mr. Philip: If that happens, will you consider that a complete breach of the contract and therefore ask for a complete refund, or will you prorate it?

Dr. Copeman: For instance, if the physician owes up two years' return in service and he gives us one year, he would be asked to return one year's bursary funds plus interest for that amount.

Mr. Philip: You have not spelled that out in your agreement. Is it understood? At least I don't believe it was, just from what you read; I don't have a copy of the agreement.

Mrs. Smits: There have been no problems with this question. It is always understood that it is prorated.

Mr. Philip: I like to think of problems before they arise, rather than dealing with them after. That is why I am asking the question.

Dr. Copeman: This has never been a problem. This program is 12 years old and we have doctors on contracting agreement. This business of terminating an agreement part way through has never been a problem to us.

Mr. Chairman: Dr. Copeman, you just said that this was a 12-year-old program.

Dr. Copeman: The underserviced area program itself.

Mr. Chairman: It is the bursary program which is only three years old.

Mr. Herridge: Mr. Philip, there is a clause in the agreement, if I may read it, which addresses the point that has been raised: "Where payment is demanded, I will repay the bursary assistance as agreed above, in an amount which bears the same relation to the amount of the assistance received, as the period of practice in a designated area not completed bears to the months of practice required by this agreement." I think this is a long way of saying it.

Mr. Philip: That answers my question.

Mr. Chairman: You gave us the number of doctors and dentists in the program. How does that fit with the needs of northern Ontario? Do they balance up fairly well for the number of communities that require doctors and dentists?

In other words, how many are needed in northern Ontario?

Dr. Copeman: My active list of areas designated as underserved at any one time now would require about 50 physicians.

Mr. Chairman: And how many dentists?

Dr. Kawall: We would estimate about 15 dentists in the north.

Mr. Chairman: So it is hoped that within a couple of years the supply and demand will be equal if everybody lives up to their agreements.

Dr. Copeman, I have one other question relating to the whole underserved area. Where do you consider the lines of northern Ontario to be?

Dr. Copeman: I was quite amused when I heard the comments earlier about this.

Mr. Chairman: You shouldn't have smiled; that's why I asked the question.

Dr. Copeman: Our original definition in 1969 of what we would consider northern Ontario was the territorial districts of Ontario, excluding Muskoka and Parry Sound. It has never been reviewed again by our committee. Today, I suppose you would say the territorial districts plus the regional municipality of Sudbury, excluding Parry Sound and the regional municipality of Muskoka.

As a general rule, we have used the French River as the dividing line for our program.

Mr. Chairman: On another occasion I will speak to you about the problem in Ignace.

Dr. Copeman: Thank you--my favourite community.

Mr. Chairman: You will table the agreement with the committee?

Dr. Copeman: Yes.

Mr. Chairman: Thank you very much, Mr. Herridge, Dr. Copeman, and the people from the Ministry of Northern Affairs and the Ministry of Health. We appreciate your answers and your assistance this morning. We had a full discussion and we appreciate how well prepared you were.

11:40 a.m.

We will now move on to new business. First we will deal with the committee budget, gentlemen, if you would have a look at the budget prepared for you. As of the last meeting, you will recall that we were going to put time in for the possibility of either meeting this summer or possibly next January or February. The budget has to be approved by the committee and must go to the

Board of Internal Economy for approval. As you will learn on this committee, budgets are amendable, but I would like to get something to the Board of Internal Economy. Are there questions about any items on the budget?

You will see a reference to the Yukon. I was supposed to go to there last February as a sort of a consultant to the Yukon, which has just had two years of public accounts, and the election intervened. I may be going, but that is a discretionary item as well.

Mr. Peterson: It is still speculative whether we are going to sit for three days this summer and we do not exactly know the topic of that if we do.

Mr. Chairman: I would like you to think about whether or not you feel you wish to meet and if so, I would hope that you would do it on the basis that you have particular topics that you want to deal with.

Mr. McClellan: Where is the Canadian conference to take place?

Mr. Chairman: New Brunswick this year. There is a national organization in place now dealing with the public accounts chairmen which meets once a year in conjunction with the legislative auditors. This year it is in New Brunswick and next year I believe it is in British Columbia.

Mr. Scott: Yes, in Victoria.

Mr. Peterson: There is something else I want to mention. I would like to speak for about two minutes on something that was most invaluable to me. A year or so ago Patrick arranged a trip to Ottawa to deal with the federal public accounts committee and meet with the federal auditor general over a two-day period.

I must say I was extremely sceptical, as you will recall the conversation. It turned out to be the most fantastic thing I have ever seen from a public accounts point of view. It really upgraded our knowledge. There was some great discussion when we met with federal members and the federal staff. I look back on that as a major conversion in my own thinking about the role of the public accounts and what it can do.

It was not that well attended at the time, Patrick, but with a new committee sitting here for four years it might just not be a stupid thing to arrange again for all the members of this committee who are interested to attend such a meeting. Believe me, it was first class.

Patrick, to his great credit, has made the public accounts committee of Ontario the most prestigious--outside the federal committee, perhaps--in this country.

Mr. J. A. Taylor: I wondered why they appointed me to this committee.

Mr. Peterson: You are here for the status.

Our reports are read very seriously and the functioning of this committee is looked at very seriously. Patrick is called upon to make a number of speeches and consult with a lot of people because he has single-handedly elevated the sights and the functioning of this committee. We have our little problems but, believe me, compared to the other provinces, it is nothing. I have talked to some of these guys.

So that would not be a bad thing to arrange next fall, Pat, as we start into a new session.

There was some talk at one point that we were going to Washington. Whether that is relevant or not, I am not sure, because that is a different system. In a congressional system, the committee role is rather different. I am not sure that would be a worthwhile expenditure. But a couple of days in Ottawa along the lines of what we did last time, if you can arrange it, I think would be very much in the interest of this committee.

Mr. Yakabuski: I am just wondering, Mr. Chairman, about sending you way up to the Yukon all alone, I thought perhaps if the committee accompanied you it might be a very useful exercise.

Mr. Chairman: The invitation was extended to me by the Yukon assembly, not to the entire committee.

Mr. Yakabuski: Do you want to read that letter again? Perhaps you just read it over quickly.

Mr. Chairman: I will do that for next meeting, yes. I would agree with Mr. Peterson, particularly for the new members which compose three quarters of the committee. I think going to Ottawa was a useful exercise but I am certainly at the wishes of the committee. I believe we went up on a Tuesday night. On Wednesday, we met with various people, and observed the federal public accounts committee on Thursday.

I might add that the previous committee, as Mr. Peterson has pointed out, had planned to go to Washington. I had made a trip there myself and found it very useful. I think I picked up some ideas, one of which I still have in the back of my mind but have not put forward. But that, I think, may be somewhat down the road.

Mr. Peterson was originally against going to Ottawa, and he found it helpful. Is it the wish of the committee that we amend the budget and put a trip to Ottawa into the budget?

Mr. Villeneuve: In view of his experience, I accept what Mr. Peterson says as being factual. I honestly think that as far as I am concerned, an ordinary layman, it could not help but be beneficial to me, speaking for myself. I am not a professional accountant or anything of that kind, so certainly it would be an experience that would be worth while to me.

Mr. Chairman: Is it agreed, then, that we will amend the budget and we will bring it back next week for approval then?

Mr. Cousens: I have one question. The delegation to Canadian Conference of Legislative Auditors and Public Accounts consists of the chairman, the vice-chairman and the clerk. If I am right, the chairman represents the second party and the vice-chairman is Mr. Peterson. Would there be some value in having one of the other parties represented at that to gain some additional insight so that we can all come back more informed on that?

I think there is much value to be gained in going to meetings like this, but I think there is also value in having a balanced delegation drawing together that information. I would be interested in seeing it at least include someone from the first and third parties as well--not that I want another trip, but I think there could be value in it.

Mr. Peterson: What does the invitation say, Pat?

Mr. Chairman: It is pretty flexible. I think we can take pretty well as many as we want. We have to do something about the accommodation and air flights fairly soon and let the people in New Brunswick know how many will be coming. Is that agreeable to the committee?

Mr. McClellan: I have no idea whether the regular members have any interest in going.

Mr. Chairman: Why don't we amend the budget to reflect--

Mr. McClellan: When is it?

Mr. Chairman: July 5, 6, 7 and 8. We could amend that as well, then, for two extra members and we will put it in the budget and deal with it next week.

I have a few additional matters. I have written, at your instruction, a letter to Mr. McCague, the Chairman of Management Board of Cabinet, in regard to identifying someone within his ministry to be responsible for responding to our report and also, I hope, to attend our meetings. I have not had an answer to that.

Another matter is we will probably start, if it is agreeable and useful, to have a preliminary meeting at 9:30 or even 9:45 in my office to deal with the subject matter which is going to be raised so that we have a focus for our questions rather than rambling all over. I think we are almost at the point of the Peter principle where work is expanding to use up the time available. We spent an hour and 15 minutes on that first item, which was perhaps a little longer than we needed have done.

One other matter is the agenda. The Ministry of Health people have responded, post haste, that they will be here next week. But we have run into a problem with the science centre. So we will be slotting in on June 4-- As a matter of fact, probably the June 4 item dealing with the Ministry of Health would be sufficient, it seems to me.

But I think it was a feeling that our meeting on June 18,

the Civil Service Commission, should be left over to the fall, and that we should deal with items 2.6 and 2.9 of the auditor's report, administrative improvements in Wintario grants, and matters related to performance measurement and efficiency of the central collection service activity of the Ministry of Government Services. I wonder if we could move that into the June 18 slot, and leave the Civil Service Commission item over to the fall. Is that agreeable? Is there any further new business?

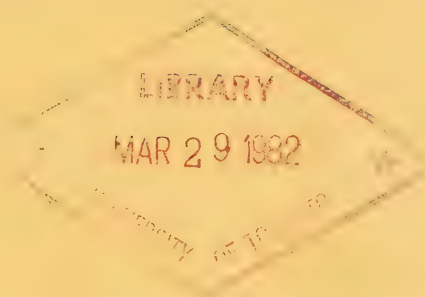
The committee adjourned at 11:49 a.m.

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STANDING COMMITTEE ON PUBLIC ACCOUNTS

AUDITOR'S REPORT RE MINISTRY OF HEALTH:
MEDICAL CLINIC FUNDING

THURSDAY, JUNE 4, 1981



STANDING COMMITTEE ON PUBLIC ACCOUNTS

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VICE-CHAIRMAN: Peterson, D. R. (London Centre L)
Cousens, D. (York Centre PC)
Cunningham, E. G. (Wentworth North L)
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Villeneuve, O. F. (Stormont, Dundas and Glengarry PC)
Yakabuski, P. J. (Renfrew South PC)

Substitutions:

Conway, S. G. (Renfrew North L) for Mr. Peterson
Kolyn, A. (Lakeshore PC) for Mr. Yakabuski

Clerk: White, G.

Researcher: Fletcher, M.

From the Ministry of Health:

Berry, R. G., Director, Program Development Branch
Campbell, T., Deputy Minister

From the Office of the Provincial Auditor:

Scott, F. N., Provincial Auditor

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday, June 4, 1981

The committee met at 10:04 a.m. in room No. 151.

AUDITOR'S REPORT RE MINISTRY OF HEALTH:
MEDICAL CLINIC FUNDING

Mr. Chairman: Gentlemen, I will call the committee to order. We have with us the deputy minister and staff from the Ministry of Health. I hope you will introduce the people you have with you, Mr. Campbell. As I indicated to you, I hope you might have a medical doctor with you. If it gets any colder in here we may have need of his services.

Mr. Campbell, do you have any opening remarks? I understood that you were going to have some kind of written response for us. Do you have something available?

Mr. Campbell: Yes, we do. Mr. Chairman, I would like to introduce Dr. Boyd Suttie and Mr. Ray Berry, who are with me today to deal with this report.

I would like to start by expressing my regrets for not appearing here on May 21. As deputy minister I have to take full responsibility for that and for the absence of my staff as well. I must say I felt bad that what appeared to me as a scheduling problem, I realize, in retrospect, must have appeared to the committee as a discourtesy. I want to assure the committee that certainly none was intended. I feel very strongly that respect for and courtesy to the Legislature and its committees are a very important part of government and should be expected at all times.

There was one matter which concerned me as deputy minister particularly and that was the press reports and comments to the effect that the ministry had not been co-operative with the provincial auditor. I called the provincial auditor personally and I was very relieved to learn that in the current year, dealing with the report we have before us today, there was full co-operation. That is certainly our policy and we will make great efforts to make sure that policy is continued.

We welcome the comments of the provincial auditor and his staff, and also the comments of the committee. We think this business of trying to provide quality health care, at the same time balancing that with adequate controls on costs, is so complex that we feel we can use all the help we can get.

We find, in this report at hand today, which we have studied very carefully, that there are a number of recommendations we agree with. In fact we have implemented some of them and are implementing others, and we would like to explain those to you in some detail.

There are other recommendations which we have a great deal

difficulty with. Again, we welcome the opportunity to share some of our concerns and our difficulties on some of those points with you.

With your permission, Mr. Chairman, I would like to ask Mr. Ray Berry, who is our program manager, to go over, in some detail, the response we have to the various specific recommendations the provincial auditor has made. I think your committee might find it useful to permit Mr. Berry to go through the response because I believe that we have there the answers to a number of the questions that were raised by the provincial auditor, and also various questions which have been raised from time to time by the committee.

So, with your permission, I would ask Mr. Berry to do that, and after that point we are prepared to spend as much time as you would like in discussing these matters further.

Mr. Chairman: Before Mr. Berry proceeds we have copies of the auditor's report of May 7 for those of you who may inadvertently have not brought yours. Does everybody have them? Does anybody need them?

Mr. Campbell: We also have copies of our response to the auditor's report.

Mr. Chairman: That's fine. I would ask, gentlemen, that you would allow Mr. Berry to go through his comments and you can write down your questions as you go along. Then after Mr. Berry has finished, perhaps we can ask questions at that time.

Mr. Berry: Mr. Chairman, the public accounts committee, through resolution of its meeting on October 16, asked the provincial auditor to compare the roster of the St. Marys Clinic with those of private practitioners in the catchment area of St. Marys, and to report back to the committee on how to avoid duplication and waste in the system.

This report is in response to the report of the provincial auditor which was submitted to the committee on May 7. A detailed response to other concerns of the public accounts committee about St. Marys Clinic was made to the chairman on January 23 of this year.

10:10 a.m.

The Ministry of Health has been studying alternatives to the current fee-for-service system and OHIP payment process for many years with a view to facilitating the evolution of the health system so there may be an increase in preventive care and health maintenance. From the point of view of the public, these alternatives are to be provided without any charges beyond the OHIP rate.

Throughout these years of study various models of payment and organization of health services have been tried. There have been continued refinements with consolidation of this information over the past three years, which has led to the implementation of the current health services organization program.

The recent study conducted by the auditor's staff examined in greater detail the methods of payment, the monitoring procedures and the maintenance of the program mentioned above. During the period covered by the auditor's report, that is January to September 1980, payments to the St. Marys Health Service Organization were as follows.

A per capita payment of \$7.34 per month was made for the provision of general practice, general surgery, obstetrics and gynaecology, internal medicine, psychiatry, dermatology, paediatrics, urology and ophthalmology. In September there was a reduction in the per capita payment to \$6.83 per member due to the fact that the ophthalmology was dropped as a specialty.

During this period the monthly per capita payment was negated or not paid if for any reason any patient received care outside the clinic for any medical service listed in these categories. It is understood that during the month that the payment is negated the HSO has a continuing obligation to provide treatment to the patient, as needed, without compensation.

The total cost of medical services provided to the roster during the period examined by the auditor was as follows: \$540,910 as payments made to the clinic on behalf of the roster patients for whom they had agreed to provide service; \$168,000 as payments from OHIP to physicians outside the clinic, who provided services that should have or could have been provided by the clinic; a negation of \$30,000, which was withheld or negated from the clinic payment for those patients who received services outside the clinic; \$165,000 as payments from OHIP on behalf of patients who had received other specialty services not available from the clinic nor included as part of their contractual agreement; making a total sum in that nine-month period of \$843,910.

Payment for January to August was made for a roster of 8,378 people. For the month of September, the roster payment was based on 7,107 persons.

It should be noted that it is item two, the OHIP payment, to which the public accounts committee and the auditor have directed their attention. In considering the payment which was made to St. Marys a comparison of alternative methods of payment is as follows, during this nine-month period.

As noted under the capitation payment scheme the cost of the roster was \$843,910. If the services which were provided by the clinic had been costed under the equivalent fee for service it would have amounted to a total of \$858,054. That is made up of the per capita payment of \$525,054, the additional OHIP charges made as a consequence of patients going outside the clinic, and \$165,000 charges which resulted from patients receiving kinds of specialty services other than the clinic would provide. In column three is an average provincial OHIP cost for the same number of citizens over a nine-month period amounting to \$873,981.

It should be noted that the net difference between the total cost of the roster presented in column one and the average cost of a roster of similar size, based on the provincial average, is

\$30,000, with the HSO costing the lesser amount. Comparison of the capitation level of payment of the clinic with what would be generated if they were to have been paid on a fee-for-service basis provides a net difference of \$15,000, the lesser amount being generated under the current payment system.

The total cost under column two is lower than the average provincial cost, thus supporting the theory that the HSO provides a more efficient use of health resources, even when it is costed at the fee-for-service rate.

As well as the savings made in this comparison to a fee-for-service practice studies elsewhere in Ontario have shown that even greater savings are made in the reduced use of hospitals by HSO patients.

The focus of the public accounts committee and the auditor has been the charges generated by the roster population that received services outside the clinic which the clinic could have provided.

The issue is not double charges to the health system--such services as fees to the HSO are deducted from the HSO when a patient receives outside services-- but is lost savings opportunities which could have been realized if patients sought all services within the HSO.

To this end, the auditor has recommended--and these are the auditor's comments--"That the ministry consider ways to motivate greater patient loyalty, such as:

"(a) members being 'locked in' to the HSO with the provision that those wishing to go outside the HSO environment for their health care should advise the HSO to terminate their membership; and

"(b) by charging the full or a percentage of the applicable outside service cost to the HSO to induce them to control the use of outside services by their members."

The ministry's response:

The ministry is exploring methods to increase patient loyalty through persuasion by making available better information about the advantages of the HSO program, which include a possibility of providing more thorough care, greater preventive care, more effective use of support staff and programs directed at changes in life style or improved therapeutic compliance. A recent HSO symposium was sponsored jointly by McMaster Health Sciences Centre and the ministry to discuss means by which health service organization programs might be enhanced to provide a greater measure of health supportive programs.

The ministry's response to the proposal for locking-in of members is: The suggestion that significant additional savings of approximately \$1.2 million could be realized if such a procedure as locking-in patients were used, is, in itself, a strong acknowledgement that the HSO program is efficient and does provide

care at a lower cost. The thrust of the auditor's recommendations points to ways of maximizing potential savings through the HSO program.

However, the conclusion that these additional savings can be realized by locking patients into an HSO would not be acceptable in the Canadian health system because it would take away the historic right of patients to select any doctor for any treatment they require.

For instance, the same suggestion theoretically extended to the total population of the province would generate even larger savings, but the locking-in proposal would result in a pattern similar to the British National Health Service. This system gives only limited freedom of choice to patients and this option was specifically ruled out by Justice Emmett Hall in his original design for medicare in Canada.

In some private prepaid health systems in the United States, including health maintenance organizations, the lock-in policy applies and is enforced by requiring the patients to pay all outside costs themselves.

In Canada, however, the principle of free access to the health care system is seen as a basic patient right, the abrogation of which would reduce patient willingness to participate in the program and would rapidly terminate any attempt to develop optional methods of health care delivery.

The ministry's response to the suggestion that we recover the full cost of outside services by a chargeback mechanism: At present if a patient exercises his right to consult an outside physician for services available from the HSO, the clinic loses its monthly payment for that patient, even though the HSO is obliged to continue to treat the patient for any other visits to the clinic during that month without any reimbursement.

10:20 a.m.

Although outside visits are often required by people away on vacation, business, or due to emergency situations away from home, each of the visits results in a loss of payment to the health service organization. To suggest that there should be further penalty for a situation outside his control or influence is, in effect, a form of punitive fine due to the patient exercising his right of access under the Ontario health insurance plan. This might place an HSO in financial jeopardy to an extent sufficient to lead to its withdrawing from the program.

The auditor's comment: "That a careful monitoring be performed of specialists' services for which the ministry is paying capitation. Where this work is carried out mainly by outside specialists consideration should be given to discontinuing the capitation rate for the applicable specialties."

The ministry's response: The assumption would seem to be that there may be excessive referral out for provision of specialty services which the clinic has contracted to provide, but it is greatly to the clinic's disadvantage to work in this manner.

In order to obtain outside specialty services it is necessary for the patient to be referred for those services. If the patient came to the clinic in June, for example, and was referred to a specialist outside the clinic for a service the HSO contracted to provide, the monthly payment to the clinic would not be made. When the patient was referred back to the clinic by the specialist, the HSO would once again assume responsibility for recommended treatment.

However, since the referral to the external specialist would have led to the negation of the monthly payment, all the other services rendered to the patient within the clinic during that month would be provided at no cost to the ministry, and without any payment to the clinic. Such a procedure is clearly self-limiting since it would be to the financial disadvantage of the clinic.

The recommendation that such outside services should be carefully monitored is important none the less, and such monitoring will be conducted.

A further auditor's recommendation: "That the following additional procedures be considered, as they may assist in improving the monitoring of rosters and in reducing the extent of duplication and potential waste:

"(a) Membership be limited to persons whose principal residence is within the locale in which the HSO operates;

"(b) Guidelines be developed for members under 21 and over 65 years of age, requiring them to re-enrol periodically, indicating their desire for continued membership;

"(c) Comprehensive chargeback tabulated reports be used in conjunction with the proposed HSO encounter data, to develop visitation patterns of members and to evaluate their eligibility for continuing membership."

The ministry's response: The current mobility of people in terms of work place and living makes a geographic limitation difficult to apply. For example, an individual could live in one community and work in another where he might also choose to receive health care.

There is no restriction on the use of service in the primary or secondary care area similar to this requirement anywhere in the province. The fact that it is now necessary for the patient to sign a registration form indicating that he or she intends to use the HSO implies that those who sign have a serious intent to act accordingly. Rigorous monitoring of the roster and examination of outside use will provide an opportunity to study this problem in order to discover whether further action must be taken.

As the auditor has recommended, a process for reregistering patients at 18, 21, and 65 years of age is being undertaken.

The encounter and outside use data systems will be integrated as the auditor recommended.

Further auditor's comment: "That clauses be included in agreements with HSOs which would

"(a) give the ministry authority to insist upon the removal of members from rosters when warranted by the circumstances; and,

"(b) enable the ministry to recover retroactively any capitation paid on behalf of members removed from rosters in this manner."

The ministry's response: The ministry agrees with this recommendation of the auditor and is currently examining methods to implement this recommendation in a fair and reasonable manner. This must involve a mechanism for informing the patient of this action.

It must be acknowledged, however, that the clinic is at risk to provide whatever services are required by all patients on the roster in a similar made to any other prepaid insurance plan. The clinic is prepared to accept this risk in return for the monthly payment per patient. When a person is removed from the roster, the clinic is no longer paid for him or her, but it is also free of the risk of having to provide all care required.

The solution to the problem of inappropriate payment is rigorous roster monitoring. Retroactive recovery is seen to be unfair in principle due to the concept of the insurance mode under which payment is made. Since the clinic will be held responsible for provision of health care services required by a patient as long as he or she is on the roster, payment seems warranted. As soon as it becomes evident that the patient does not desire, nor is seeking services from the clinic, both capitation payment and obligation should cease. It is considered that the increased rigour in monitoring the roster will minimize this problem.

Further auditor's comment: "That new HSOs wishing to enter the program should continue on a fee-for-service basis of remuneration. Transfer to the capitation method of payment should be made when the HSO has submitted sufficient signed enrolment forms to establish a viable enrolled roster. Alternatively, a recovery clause could be included in the agreement whereby all capitation paid on unsigned members would be recovered by the ministry."

Ministry's reponse: In considering this recommendation it must be recognized that the HSO system is not merely a fee-for-service practice under a different name. Frequent complaints are made by practising physicians against the fee-for-service system to the effect that it encourages revolving-door medicine. In addition, the fee-for-service system provides little incentive for provision of preventive care and constrains flexible development and use of support staff in provision of more comprehensive care.

On the other hand, the HSO system allows an increased emphasis on keeping people healthy, makes it possible for physicians to spend longer periods of time with individual patients, and provides opportunities to try new methods of care.

If the ministry wishes to encourage the development of fundamentally different approaches in the provision of health services, it must be prepared to support their development, and not to establish barriers to implementation of the new system. Due to the different requirements of both systems, a gradual phase-in is quite difficult as it requires the introduction of an additional administrative system to run parallel to the current fee-for-service system which would be in effect for approximately one year.

The ministry views the initiation of an HSO as an investment in development of future service which will produce net savings to the health system. It is the ministry's belief that the HSO can provide a lower cost alternative to the current OHIP system of fee for service and at the same time provide quality health care and reduce hospitalization.

However, safeguards are in place during the startup phase which will prevent any undue overpayment. In starting a new HSO, the sponsoring agent--a group practice for example--provides the ministry with a list of those patients it considers to be on its regular clinic roster. The ministry makes an estimate of the cost of this roster to the ministry under the capitation negotiation payment system.

Provision is obtained from the group practice to obtain information from the OHIP system about the level of payment received by the group practice under the regular OHIP payment system during the previous year. If there is a major discrepancy, either more or less, between the amount of money earned by the group practice from OHIP and the amount of money which would be generated by the roster, further examination would be conducted before proceeding.

In the event that the roster would seem to produce a much greater level of income than was earned by the group practice from OHIP, the ministry would not agree to a contract. On the other hand, if earnings from OHIP were much greater than those which would be generated from the roster per capita payment it is unlikely the group practice would wish to join the program.

The system which is being used ensures that there is a close approximation between what the practice would earn under the fee-for-service OHIP payment and under the HSO roster capitation payment system in the first year and this will provide an opportunity for the group practice to try out the HSO model.

Auditor's comment: "That the ministry reconsider the expansion of the HSO program (to recruit single practice general practitioners into the HSO program)."

The ministry's response: This proposal is undergoing further review. However, there are developments, such as those in telemedicine with which we are experimenting currently in hospitals, which would make the potential for development of a group practice mode available to solo practitioners.

10:30 a.m.

There are also growing opportunities for clinics, such as Sault Ste. Marie, to establish such a network by using support staff and new technologies such as telemedicine. In this way HSOs could provide support to solo practitioners in locations in rural practices and in northern Ontario, where it is now difficult to provide health services. This would offer substantial benefits to practitioners and their patients in isolated locations. There have been trials of similar programs in other jurisdictions and it is our intention to study these more extensively before proceeding with a trial implementation to assess effectiveness in Ontario.

In conclusion, significant savings to Ontario are being realized by the HSO program. During the period of study by the auditor's staff the program of St. Marys operated at a net cost \$30,000 below the provincial average. In the last half of 1980 the HSO program, covering approximately 125,000 people, including total medical and total hospital costs, operated at a net cost of \$890,000 below the provincial average. Projected on an annual basis, this is a cost reduction of \$1,780,000 below the provincial average.

The ministry wishes to continue the development and trial of alternative health programs such as the HSO system. The HSO program has been developed to provide a more comprehensive and less costly health service to people without any charges beyond OHIP payments, yet does not restrict accessibility to health services by patients.

It is our view that the HSO program has the potential for providing effective alternatives to institutional care, and at the same time a vehicle for development of new community programs for those older citizens whose overall health care needs will greatly increase within the next three decades.

I appreciate the fact that this is fairly complex and I would be prepared to go back and deal more fully with any questions relative to specific recommendations members might have.

Mr. Chairman: We had hoped that we would have this written response beforehand so we could deal with it. It is fairly complex. Some of it is a little confusing, let alone complex.

Mr. Foulds: I have two questions, actually for clarification, on page two of your presentation. I do not quite understand the difference between--right at the top in your column of figures--the two types of minuses you have engaged in. You have subtracted, I gather, the payments to OHIP for people on the roster.

Mr. Berry: No, I am sorry. The minus \$30,000 is actually subtracted from the \$540,000.

Mr. Foulds: Right.

Mr. Berry: It is not a subtraction for OHIP. If I might explain this, because these figures are complex, the \$540,910 is the roster per capita payment which would be made on the basis of the number of people on the roster and that would be the payment made to St. Marys for that nine-month period.

A number of their roster patients went outside for services which the clinic could have provided and that total cost from OHIP of \$168,000, we subtracted the monthly payments which would have been made on behalf of those patients from the clinic's \$540,000, so that--

Mr. Foulds: Okay, where does that subtraction come in?

Mr. Campbell: It is totalled in at the bottom, so that in effect the clinic only got paid some \$510,000, because that is the penalty they pay for the fact that some of their patients went outside; they do not get paid their capitation for that month. If the patient goes outside, they lose their capitation for that month, even though they still have to provide any other services that the patients might come back for. If the patient goes outside once, the clinic does not get paid for that patient for that month. That is the minus \$30,000.

Mr. Chairman: That is only if they go out for the agreed services. If they go for something not covered by the HSO they do not lose.

Mr. Campbell: That is right. That is why we have the two amounts--\$168,000, that is what you might call the unnecessary external use that could have been provided; and the bottom figure, \$165,00. those are the services that the HSO did not contract to provide in the first place, so we do not penalize them for that because that is not part of their contract.

Mr. Foulds: I am not very good at figures. I am still trying to understand this. The clinic lost \$30,000 because of the services that their patients got outside the clinic that could have been obtained in the clinic.

Mr. Berry That is correct.

Mr. Foulds: Those services that the patients went outside to obtain cost OHIP \$168,000?

Mr. Berry: That is correct.

Mr. Foulds: All right.

The other question that I have, just for clarification at this point is, why was there the dramatic drop in the roster from 8,378, presumably in August, to 7,107 in September. In one month, they lost 1,200 patients.

Mr. Berry: That was due to the new agreement that after September 1 the only payments which would be made on a roster basis would be for those patients who had actually signed a registration form. Before that time, it was not necessary for patients to sign a registration form.

Mr. Foulds: I am sorry, I am coming relatively new to the issue. How was the roster developed prior to September?

Mr. Berry: It was developed on the basis of the patients

who were on the St. Marys Clinic files before. May I please try to clarify it for you?

Mr. Foulds: Yes.

Mr. Berry: The traditional patients may still wish to go to St. Marys for care, so their total clinic file may still amount to 8,600 people. But when the patients were given the option of signing to receive their services primarily from St. Marys and to be members of the roster, some of those people declined and preferred to remain, in their dealings with St. Marys, on a fee-for-service basis. So the people who are in the 7,100 are people who have actually signed a registration form to say they wish to be on the St. Marys roster. Am I clarifying that for you?

Mr. Foulds: I think you are. What you are telling me is before September people were going to St. Marys Clinic who were paid for by the ministry on a per capita basis--

Mr. Berry: That is right--who had not signed a form and who had not indicated that they wished to be on the roster. This process of having patients sign to be on the roster is intended to do two things: one, to bring to the attention of the patient that it is a different relationship; and, two, to make sure that we have a verified roster.

Mr. Campbell: If I could comment on that, I think what you are seeing here is the process of refinement of the system. The more stringent requirements for roster enrolment were part of the discussions that had taken place with the provincial auditor over the years, and what you have seen here is the effect of the implementation of more stringent controls. That is just an example of that.

Mr. Foulds: I would have thought that would have been an elementary control rather than a more stringent one; that there was a great danger if you--I am still trying to figure out how the roster was devised in the first place. You just accepted all of the patients who had been in the doctors' files before they became an HSO?

Mr. Berry: Yes, inasmuch as the physicians said, "These are the patients who are my patients who are continuing to receive services from me." Originally no request was made of patients about the need to sign and be on the roster, so in effect we were taking the physicians' clinic files of those people for whom they provided regular services. That is correct.

10:40 a.m.

Mr. Foulds: With the list of patients that the ministry accepted, two questions arise in my mind. One, were there any who did not get any services at all from the clinic?

Mr. Berry: Yes.

Mr. Foulds: Were there, in that list, patients who had changed their doctors?

Mr. Berry: Yes. That is what the recent review of the roster was intended to identify. Patients were identified who had decided to receive services elsewhere from physicians and did not report that, did not tell the nurse. It was a small number of patients, but in fact there were some, yes.

Mr. Foulds: Would it be unfair to say that the initial list was padded?

Mr. Berry: I do not think it would be fair to say that the initial list was padded. It came from the physicians' active files of patients they were seeing at that time.

Mr. Foulds: How active?

Mr. Berry: Within two years.

Mr. Foulds: I will tell you what bothers me, because by and large I think the HSO is an alternative form of delivery of service that we should be pursuing. Obviously it has some very great advantages, particularly in terms of overall care for the patient and developing some sense of preventive care.

What appears to have happened here is that there was a danger of discrediting that kind of service because of relatively liberal standards applied by the ministry in developing the roster in the first place. Is that a fair interpretation?

Let me ask the question in another way. Why didn't the ministry immediately ask for the "more stringent roster" that you finally devised in September? That would have seemed to me to be an elementary and obvious way to go.

Mr. Berry: It certainly would appear to be the case in retrospect. I think we were operating on the same basis as the public accounts committee operated when it made its recommendation, and that is that physicians have rosters of patients. That is not true. Some physicians keep very accurate, up-to-date rosters of patients and they establish criteria saying that someone who has not been in in the last two years will be put into another file. Some physicians keep that in general private practice and others do not.

What we asked at the time these practices were coming on was may we have your active file. Having the active file, we would also track the OHIP system to find out if those patients were being seen by these people and the answer to that is yes, they were.

In retrospect, I think it would have been desirable to have people sign up from the beginning. That is why we agreed and are doing that currently and will continue to do that with the program.

Mr. Foulds: Do you find any particular resistance by the patients when you ask them to sign up?

Mr. Berry: We are not doing that directly so I cannot answer that from the point of view of the HSO, but some patients

do not want to be constrained and they therefore do not want to sign up. Other patients consider that they get their services from this clinic, have a strong feeling of loyalty to that clinic and are more than willing to sign up, quite eager to sign up. You run into a range of acceptance of the idea.

Mr. Foulds: That is all for now, Mr. Chairman.

Mrs. Scrivener: (Inaudible) that question because I can give a personal answer from my own experience with another clinic.

There is a kind of suspicion when you ask patients to sign a roster. They are a little suspicious that they may be committed to something and sort of locked in it and that they lose their freedom of choice. I have seen this in another clinic and there is that difficulty when you ask patients to give a commitment of signing a roster.

Mr. Chairman: To continue with that what if somebody declines to sign? Do you still consider them on the roster?

Mr. Berry: No.

Mrs. Scrivener: But you still treat them, do you not?

Mr. Chairman: But on a fee-for-service basis.

Mr. Foulds: That is all I have for the time being, Mr. Chairman.

Mr. J. A. Taylor: Just picking up from there, you have how many clinics in Ontario?

Mr. Berry: We have 19 on the HSO program.

Mr. J. A. Taylor: Are they all on a sign-up basis now?

Mr. Berry: Yes. Not everyone is signed up because we are in the process of doing that with some. St. Marys had completed the sign-up on September 1. Others have completed that too, but we are in the process of having everyone sign.

Mr. J. A. Taylor: But if they are not signed up, then they will not be a part of the membership and therefore they will not qualify for the monthly rate that the clinic gets.

Mr. Berry: That is correct.

Mrs. Scrivener: The clinic loses money.

Mr. J. A. Taylor: Yes, I understand that the clinic loses money if a member is not on the list. Of course, it becomes a membership drive presumably, to increase the income of the clinic.

The other concept I want to get at is what happens to the money. Presumably you have a number of doctors in the community who operate from a clinic. There is a certain fund or pot of money

that is accumulated and then there is a division of that money among the participating doctors. Is that the concept?

Mr. Berry: That is correct.

Mr. J. A. Taylor: Do those doctors then do outside work besides the work in this clinic, or are they confined to clinic work?

Mr. Berry: No, they would have the same options for other kinds of things that anyone in regular fee-for-service would have. We do not restrain them to clinic activity. They may do other consulting work or a variety of other kinds of things.

Mr. J. A. Taylor: Okay. That leads me to a general question I have arising out of your report. You seem to conclude that a patient or a community gets better service with less cost to the public or to government by the clinic process. Am I correct in that conclusion?

Mr. Berry: Yes.

Mr. J. A. Taylor: In coming to that conclusion do you have figures that indicate there are more attendances by patients on medical practitioners than say the norm throughout Ontario where you have a clinic? Do patients who are on a roster for a clinic overall attend a physician more frequently than patients outside a clinic?

Mr. Berry: That is somewhat difficult to answer.

Mr. J. A. Taylor: What I am driving at is--

Mr. Berry: I appreciate what you are saying. If patients come to St. Marys, for example, and they need counselling, they will receive that at St. Marys Clinic, but they will not receive that from a physician. If that same counselling were to be provided in the fee-for-service system of course it would have to be provided by a physician.

We are in the process of studying this process to find out what the actual activity within the clinic is of patients. We would like to have more information about the number of visits, for whom, and who they might see when there is the opportunity of practising in a different manner. My guess is, on the basis of information we have from other kinds of studies, that there probably is some reduction in services to some patients.

Mr. J. A. Taylor: What I am trying to arrive at is where is the bench mark. You say you have better service to the population at a cheaper cost to the taxpayers of Ontario. How do you arrive at that? Do you take the provincial average in terms of what the cost per head is and then compare it with the cost per head of the clinic?

If that is what you do then what you are demonstrating, I presume, is that the cost per head for membership in a clinic is less than the cost per head for people in Ontario as a whole. You have already concluded that, have you?

10:50 a.m.

Mr. Berry: Yes.

Mr. J. A. Taylor: The other thing I was trying to get at is if the attendance on a physician is more frequent within the clinic, then presumably you may be able to say that if that person went through the fee-for-service process outside you would have an even greater provincial cost and a greater per capita average in Ontario to compare it with.

Mr. Berry: The visits to physicians within an HSO is less. We want to study it more thoroughly but there is no question about the fact that it is less.

Mr. Campbell: Mr. Chairman, there is also another important point from our view and that is there have been extensive studies done in other jurisdictions and some in Ontario as well--Sault Ste. Marie--that indicate that while the cost of providing physicians' services is marginally lower in the HSO, the real benefit is seen--say in other jurisdictions, the United States for example, who are looking at this very strongly now--as a tremendous decrease in hospital utilization; there is an incentive for doctors to keep their patients well.

For example, there are studies indicating in some areas hospital utilization is as much as 40 per cent lower. That sounds incredible, yet we are told the studies consistently show that figure. That is another kind of saving that does not show up on the HSO comparison but it is a saving to society.

Mr. J. A. Taylor: Is it clear that the physician utilization within the clinic is more or less than, or the same as, the provincial average? Can you say that with some certainty?

Mr. Berry: Less.

Mr. J. A. Taylor: It is less within the clinic.

Mr. Philip: But that is just in terms of visits, not necessarily in terms of contact hours with the patients.

Mr. Berry: That is correct.

Mr. J. A. Taylor: You have to remember too, when you look at the provincial average outside the clinic, that some of the people within the clinic are going to outside physicians, so they help create that provincial average, do they not?

Mr. Campbell: But even when we count that, the total cost is less.

Mr. J. A. Taylor: Even when you include--

Mr. Campbell: Even when we include the extra payments.

Mr. J. A. Taylor: --their visits to outside physicians?

Mr. Campbell: Yes, the total cost is still less.

Mr. Chairman: Could I just follow up? I thought you were going in a direction in which you did not wind up. Is there any shifting from the HSO to fee for service? Have you been able to monitor that?

Let us take the worst case where a doctor finds somebody is coming in three times a week or twice a week, or has older patients who might require more care. Has there been any indication that there might be a shift from the HSO to fee for service?

Mr. Berry: No.

Mr. Chairman: Have you checked on that? Do you say there is no indication or you are not aware of any indication?

Mr. Berry: No, there is no indication. In order to take someone off the roster there has to be a submission of the document which indicates the person is being removed and an indication of why that person is being removed.

We are interested in looking at the question you are raising, but we have such a short period of time it is not possible to say this is happening. We have no information that it is happening and no indication whatsoever that that is occurring. The assumption is that it probably would not occur because it would take a fair amount of energy to try to figure out who it was that we wanted to have reduced from the roster. We would have to spend a lot of time working on that to figure out who it was.

Mr. Philip: I have a couple of questions. Are you performing under this system much more of a group counselling kind of system?

For example, in weight control which is often, from what I have seen just as an amateur layman talking to doctors, fairly highly expensive to the OHIP system with people visiting their doctors on a regular basis, being weighed and given a pep talk and so forth. Is that being done more under a group type of system and therefore would that be one way in which you are reducing the number of visits but increasing the efficiency of the system, or are there any other group counselling situations that are being explored?

Mr. Berry: Yes, depending upon the size of the roster, the addition of other support staff such as nurse practitioners, nutritionists, physiotherapists, psychologists, social workers and so on is being conducted. It depends to some extent on the population of people you are serving. If you have a roster with a large number of young, child-bearing age women then special programs of information are established for those in child care and so on.

The clinics are attempting to understand what their roster problems are and to provide programs that will meet those problems. Things such as lifestyle changes, smoking clinics and so on, are often introduced by clinics to try to get changes in that kind of health behaviour.

Mr. Philip: As these programs expand, is it fair to say that they are having some impact on the number of patient days in the hospital? You mentioned there is a reduction, that you have studies that show it probably reduces outpatients and maybe even inpatients. But are those programs reducing it, or is it just early detection of illness that reduces it? How do you weigh those?

Mr. Berry: The reduction in hospitalization currently is due to a different mode of practice. At Sault Ste. Marie--if I may talk about that because the reduction there is quite dramatic--within the clinic they provide emergency services onsite which, as a consequence, allows them to provide these services without hospital admission.

I think the reduction in hospital use currently is merely based on a different mode of practice. To assess changes in health status, as you probably are aware, is difficult. It will take us some time to find out whether the impact on health status of these new health programs is having a substantial effect. I do not know how long it will take, perhaps five or 10 years, but it will take some time to study what impact these preventive programs have.

Mr. Philip: Assuming that it is to the advantage of the consumer, and indeed the taxpayer, to expand this type of model, as I believe it is, have you done any motivational studies on those people who have transferred from the traditional health system to the HSO?

Have you done any interviews with your clients to find out what motivates a person to switch from one system to another, thereby giving the ministry some information on how to motivate more people to switch to this kind of system, or to become interested in the system?

Mr. Berry: No, we have not done that. We are interested in some of the similar kinds of studies that have been conducted in the United States relative to health maintenance organizations. We have not conducted any such studies ourselves.

The reason we have not is because the concept of the HSO is not well known. In many cases the people who are currently going to HSOs were already involved in that clinic practice before, so there has not been any significant identification of people making the shift.

We have conducted some preliminary studies of patient satisfaction because one of the complaints made against HMOs in the States and directed at HSOs here is that if you pay these people on a capitation basis they stop providing services.

Now clearly in Ontario, if you stop providing services, patients will go elsewhere. But we have been interested in looking at the attitude or the feeling of our patients, the satisfaction of patients in going to HSOs. So those preliminary studies have been conducted but not the kind you mentioned.

Mr. Philip: Have you done any studies of the health practitioners who are attracted to this kind of system? Is there a

significant difference in motivation, in personality of those people compared to those who are practising in the more traditional system?

11 a.m.

Mr. Berry: We have not conducted any such studies. Once again, we have looked at the satisfaction of people working within HSO but we have not conducted a study to find out if there are differences between people.

Mr. Philip: What is the connection between this system and the medical faculties, nursing faculties, chiropractic faculties? One statement that has been made by a few physicians I know who are very supportive of this kind of model, including one professor of chiropractic sciences, is that as long as you have the traditional views taught in the medical schools and chiropractic colleges, this system will never really get off the ground.

You have to start at the medical schools in the first year and start changing the outlook of professors and students so that they at least see the different models and are not brainwashed before they graduate so that they have a negative attitude toward this model. What has been done in this regard?

Mr. Berry: I do not wish to be unfair to any universities because so far there has been a great deal of support. John Hastings at the University of Toronto, for example, is one of the proponents of community health centres and therefore the people at the University of Toronto have done a fair amount of study on this kind of activity and quite support it.

At McMaster University all of the family practice units have recently come on the program. They came on the program in the late fall so they are actually operating under this process. Their trainees in those programs obviously are working within these facilities.

I should say, as far as McMaster is concerned--and it is not a critical comment of other universities--locale and availability is an issue. There have been HSOs in the Hamilton district for quite a number of years and they have been used to train models for physicians from the McMaster program.

As I mentioned before, we recently had a joint symposium on health service organizations and alternative methods of providing health care, so there has been quite a supportive relationship with the McMaster training program and our own.

I might also suggest that at the University of Western Ontario family practice units have been quite supportive. We have had some contacts there but we do not have any HSOs in the immediate vicinity, with the exception of certain areas, that can provide the training input for their students.

While there are quite positive attitudes about the things that we are doing, particularly on the part of young graduates, we

do not currently have enough HSOs to provide the training and experience, or the opportunity for work later on. We hope that if this program does expand we will have both opportunities--there will be some place for students to go who want to practise in this mode and opportunities to learn about the way one might practise in this mode.

Mr. Philip: Notwithstanding the self-satisfaction types of motivation that might attract a health practitioner to this model, are there any financial incentives or disincentives that you know of, of one model over another, to the health practitioner? Can he make more money going the traditional mode compared to this mode?

Mr. Berry: Can he make more money?

Mr. Philip: Is he likely to? That is a better question.

Mr. Berry: He can make more money in the direct fee-for-service practice mode.

Mr. Philip: By using the revolving door or whatever.

Mr. Berry: By working very hard and by being paid on that basis.

Mr. Chairman: Did the auditor not find last year that the people at St. Marys were making considerably over the average, stock, fee-for-service doctor in Ontario?

Mr. Campbell: Mr. Chairman, if I can just share some of my observations on that point, particularly of doctors' attitudes, I have had a lot of discussions with various doctors in the program and outside, in the OMA and so forth. It is interesting to me the changing attitudes of the medical profession.

I think it is fair to say that when the program first started in Sault Ste. Marie it was viewed with a lot of suspicion. That would be putting it mildly, I think. There has been quite a change. For example, the Sault Ste. Marie experiment now is not just an operation of the steelworkers as it was when it started; it is a community operation. They have, in fact, leading Tories on the board of governors and that kind of thing. It is a very broadly based community project.

Mr. Chairman: It's that respectable now.

Mr. Campbell: The other aspect I get from doctors is that some of them have told me, while they initially viewed it with suspicion, in looking at the kind of practice it now generates, one observation to me was, "This is the kind of medicine we thought we went to medical school to learn how to practise." There are incentives to be efficient, to keep people healthy, and they are not forced to or do not have an incentive for the revolving door policy about which we hear a lot of complaints. Generally, there is an increase in acceptance.

It is the fastest growing segment of various forms of practice in the United States as well, where it is a complete free enterprise insurance mode and much more expensive than ours. But it is still catching on as attractive to doctors as a way of practising medicine. They feel they can do it in a much more satisfying way.

It is interesting that the OMA has set up a section now--and this is a form of recognition--for doctors who are practising medicine in this mode. It is becoming more and more acceptable and officially recognized. That certainly was not the case a few years ago.

Mr. Chairman: As interesting as all of this is, I think we are wandering a little far afield here. If you have those questions, I suggest that perhaps in the minister's estimates he would be glad to give you everything he has.

Mr. Philip: May I ask the auditor a question specifically on his recommendation?

Mr. Chairman: Mr. Philip, you are trying my patience--no, pun intended--but one question then.

Mr. Philip: Being a new member of the committee, I am sure you will have to bear with me for a couple of sessions.

What is the purpose of that recommendation on the guidelines to be developed for members under 21 and over 65 years of age, requiring them to re-enrol periodically?

Mr. Scott: The purpose of that is that there can be someone under age, who can be 16 and be covered by the family OHIP number. He can go out to work and get his own number. Therefore, there are two people registered under OHIP; so one number should be deleted. Unless you have a complete monitoring system to do this, you are bound to have duplication.

Mr. Foulds: And over 65?

Mr. Scott: Over 65 they get free medical attention under the provincial scheme.

Mr. Chairman: There may be a lot of dead people on some of the rosters, but we will talk about that later.

Mr. J. A. Taylor: Some of them right here.

Mr. Foulds: Speak for yourself.

Mr. Cunningham: It was very thoughtless of them not to take themselves off.

In this St. Marys Clinic situation, I would like to ask if you had any complaints in general with regard to creaming, or what the insurance industry would call anti-selection, or whatever.

Mr. Berry: No. You are suggesting that they would select who would be on the roster to their advantage? Is that what you mean?

Mr. Cunningham: Or disadvantage.

Mr. Berry: That they would keep sick people off the roster?

Mr. Cunningham: I am not saying that. But I am contemplating, say, a really bad back or something that would require intensive physiotherapy, where their list was fairly heavy.

Mr. Berry: The answer is no. The concern which we have had and which the public accounts committee had is that it is too inclusive, not that it has been exclusive.

Mr. Cunningham: There has been no type of professional misconduct. In fact, they probably have been bending over backwards to be responsible. Is that what you are saying?

Mr. Berry: Yes.

Mr. Cunningham: I would be inclined to agree.

11:10 a.m.

Mr. Berry: A quality-of-care study was carried out in St. Marys early on, which indicated that the quality of care provided by them under this mode of practice was equal to or better than. We also had three other studies which have identified the same kind of quality care.

Mr. Cunningham: As you examine the experience regarding utilization by the patients, it must undermine any support or any view within the ministry for bringing in deterrent fees. It clearly serves as an example that people are not just dropping in arbitrarily to take advantage of medical facilities.

Mr. Chairman: I think we are getting a little off the topic again.

Are you finished, Mr. Cunningham?

Mr. Cunningham: I guess I am finished.

Mr. Cousens: I have a couple of questions, Mr. Chairman.

In the response given to us today, the statement was made, "Retroactive recovery is seen to be unfair in principle." Yet there was a \$32,000-payment that has not been recovered, and the most recent agreement that has been made with St. Marys and others is precluding the recovery of capitation payments.

I find that a real problem in my own mind and I would like to have some better clarification on it as to why it cannot be recovered. That is money that is being paid out and we are not getting it back. That is what bothers me.

Mr. Berry: For roster patients who later on are withdrawn from the roster? Is that the issue to which you are referring?

Mr. Cousens: Yes.

Mr. Berry: Our conclusion from the discussions we held with the auditor's staff was that it is more appropriate to try to keep the roster current and accurate.

It is difficult when we are operating at this payment level to suggest to an HSO that we may, sometime in the future, find that there has been an error made--and it would have to be an honest error--and we would have to withdraw retroactively substantial sums of money from them. It is our view that leaves them in some degree of jeopardy, unless we can assure them that the roster is accurate and that any small amount of error in the roster would not amount to a large amount of money. It seems to us that it is far more important from their point of view and our point of view to make certain that the roster is accurate.

If we cannot assure them that the roster is accurate and they cannot be certain that the roster is accurate, it might be too risky for them to continue in the program. Therefore, in discussions with the HSO, they are much more concerned about making certain that roster is accurate so that would not happen.

Mr. Chairman: I recall from last year--and I hope I am not doing anyone a disservice when I say this--that you did not seem to be too concerned about removing from the roster people who have died or have moved away. How soon do you hear about those people? How soon are they removed from the roster? And why should we be paying for people who are not using or are not able to use the service?

Mr. Berry: We should not be paying for people who are not able to or do not want to use the service.

Mr. Chairman: If somebody moves from the St. Marys catchment area or somebody passes away, how soon is OHIP informed and those names removed? The auditor found in his report to us that there were a number of duplications or people who had died or left, 372 in one case, I believe, at \$7.34 a month. That gets up there fairly quickly.

Mr. Philip: As bad as some voters' lists.

Mr. Chairman: I think that is Mr. Cousens' point.

Mr. Cousens: That is basically what I am asking.

Mr. Berry: The information system would indicate those people who are coming for service from the HSO. It indicates the people who have received services outside from some other agent. It will give us information about all of those people who have moved residence, or changed, or who have died, which comes to the information of any of the services. If the HSO becomes aware that

someone has died, the person is removed from the OHIP file. As soon as that information comes to us, of course, those people would be removed from the roster.

Mr. Cousens: I will lead to my next question because maybe the answer is within this one. I am very concerned about ongoing evaluation that takes place within programs. That evaluation can have a cost-effective analysis that goes with it. What are the guidelines being used by the ministry for a cost effectiveness evaluation that goes on within the HSOs? I would not mind seeing the terms of reference you are following, the kind of detail you are going into to look at the list. What is it that you are doing to make sure that there is a true cost effectiveness evaluation? What is the job description that goes with that? What are some of the things you are doing to make sure there is a valid statement being presented?

Mr. Berry: The information system will tell us about the activity of all of those patients on the roster when they receive services outside the HSO. It is important to know about the total cost of the roster. We are interested in looking at the total costs of the roster because physicians within HSOs exercise discretion the same way that physicians outside do.

We are aware of the fact that a practitioner uses many other resources. He uses X-rays, he uses hospital services, he uses emergency departments in hospitals and so on. We want to look at the total cost, not merely the cost within the HSO, but the total cost, so that services requested by the physician within the HSO would also be costed in.

We have quite a comprehensive system for developing that information, and it was that system which was available to the provincial auditor's staff in making these comparisons. From that system we are able to make comparisons about total cost of this system, the roster population, and compare that with a variety of other populations. And we have done these things.

We have compared the costs with the overall provincial average. We are in the process of comparing those costs within districts because the costs do differ from district to district in terms of hospital use and in terms of medical costs. In some cases those other figures are rather difficult to obtain. But we are attempting to look at the costs within the district and compare them with the HSO within the district. That seems to us to be a logical way of doing it.

We are attempting as well to establish some methods for making direct comparisons of practices. That is more difficult than one might assume. The suggestion was that in order to do an appropriate evaluation, one should compare equivalent populations, or equivalent group practices. Two such studies were conducted, one comparing Sault Ste. Marie with an equivalent group practice and one in St. Catharines with an equivalent group practice. This was purely on the basis of the cost factors in the system.

We would like also to look at health status, and we have gone through an initial process of attempting to set up, within

the HSOs, particular kinds of health objectives which they would like to achieve, and to check the outcome of their activities relative to those specific health plans.

Mr. Cousens: It is not an easy thing to handle in a few minutes as we are trying to do in this committee.

11:20 a.m.

Mr. Chairman: I think we are going to have to have some reflection on this. I wonder if I could continue, Mr. Cousens. The auditor indicated that something like 1,470 names were deleted. Mr. Berry, it seems to me that if it had not been for the actions of this committee, we would not have arrived at that point. When you and Dr. Suttie were here a year ago, you did not seem overly interested in monitoring or approving the roster that had been given to you by this particular HSO.

If 1,470 names were deleted, presumably there was an overpayment of somewhere around \$100,000 in a year's time. We went through this last time. Mr. Germa made the point that every other government agency had some system of recovering overpayments. You are telling us that in this case, involving something like \$100,000 perhaps over a year's period, you see no reason or feel it would be unfair to recover these funds. But that is \$100,000 that was paid for people who were dead, moved away or were seeing another physician on a regular basis.

Our function here is to ensure that we have efficient management which tries and keep these costs to a minimum. You are telling us this morning, you and Mr. Campbell, that we save, presumably, some money by having this system. Our concern is that we could save a heck of a lot more if these rosters were monitored more carefully and if you recovered some of these funds.

I find your response confusing at best and certainly not acceptable to me. Why should we not regain that money, which is taxpayers' money from these HSOs--and this one in particular--if there were mistakes, honestly made perhaps, of some \$100,000 and perhaps more if we were to go back to its inception?

Mr. Berry: May I clarify a couple of things? First, 1,400 people were not removed from the roster because they were seeking services elsewhere; 1,400 people decided they did not wish to relate to the HSO in this mode. In the period of time in which they were on the roster, those 1,400 people were receiving services from St. Marys without any fee-for-service payment.

One would have to go back and make a calculation of the services which were received from St. Marys by those 1,400 people to find out what would be a fair settlement. It is not merely the fact that they were paid on the roster. There was no payment made on their behalf in the fee-for-service system in St. Marys either. There may be some people on the roster that can be taken off, and we would hope that we would be able to reduce those figures to about three per cent, which is what health maintenance organizations in the United States are prepared to accept as the error rate for their rosters as well.

I am sorry if we gave the impression that we were not concerned because that is not the case. We actually began the sign-up process for St. Marys and had developed the forms in June 1979.

Mr. Chairman: But you had not gone forward with them until this committee put a little pressure on you. You started out with St. Marys, as I recall and as you said earlier, on the basis of the files in the doctors' office, not on any kind of sign-up requirement or anything else.

Mrs. Scrivener: Mr. Chairman, how do you know that?

Mr. Foulds: Because that was his testimony previously in this room.

Mr. Chairman: We have all the testimony from last year, Mrs. Scrivener. We went through this. That is why I asked all members at least to read our last year's report.

Mr. Campbell: Mr. Chairman, I would just like to make sure that one point is understood. These patients were receiving health care at no extra cost, no fee for service. When they are asked to sign, as Mrs. Scrivener said earlier, many patients balk at actually signing and committing themselves. So from then on they are no longer the responsibility of the HSO. Up to then they were a responsibility of the HSO, and the HSO actually provided service. It is not correct to say that \$100,000 was paid for service that was not received. That is just not correct.

Mr. Chairman: Can you tell us what was? That is the problem, Mr. Campbell. Because there was what I consider looseness in the system and there was no monitoring, we have no way of knowing exactly how many people were not using those services, did not use them in a two-year period, had died, left or went to another doctor. That was the whole initial thrust of this committee, Mr. Berry, as you will recall, a year ago.

Mr. Berry: Mr. Chairman, I thought that was precisely what the auditor was looking at and that he has produced those figures.

Mr. Chairman: That comes back to Mr. Cousens' point, that having produced these figures that the auditor did, without, as I recall, a great deal of initial co-operation from yourself and Dr. Suttie, you are still telling us that you do not feel it is fair to recover any costs that may have been over and above what they were entitled to receive.

Mr. Berry: I hope I am not creating any false impression. As far as recovery in the past is concerned, there is no contractual arrangement which would allow that. What we are suggesting is that we want to make certain that overpayment does not occur in the future. I would rather that we not overpay than have to go back to recapture.

Mr. Chairman: Are you writing into your agreements now that if there are overpayments for honest mistakes they will be recovered?

Mr. Berry: We are in the process of working out the language for a contract which would cover that.

Mr. Chairman: That is an answer worthy of the minister himself.

Mr. Berry: I do not happen to be a lawyer, sir.

Mr. Chairman: You are a pretty good politician though, Mr. Berry.

Mr. Kolyn: I just wanted to follow up what Mr. Philip was saying. I was very interested in knowing what the doctors received in fees from the HSO at St. Marys. I would also like to know how much extra billing the same group of doctors did under the system in the private practice. I would like to know the figures of the total combination of their income. You may not have that at the present time, but I certainly would be interested in those two figures being lumped together.

Mr. Berry: I cannot give you those figures in quite the way you have asked. The last financial report we have indicates that there were six partners--this is for 1980--and the average net income was \$58,646. The Weiler report indicates the net income of GPs was projected to be \$58,063 in 1980. I cannot give you the figures in quite the same way you want them.

Mr. Kolyn: What I would like to know is if the six partners did any extra work outside of the clinic and, if so, what their incomes were in total.

Mr. Chairman: Just to clarify, Mr. Berry, are you saying that the \$58,000-figure was what they received under the HSO program, or was that their total salary?

Mr. Berry: I think that is total, but I am not certain about that. It came from the last financial report they provided.

Mr. Chairman: And were all those doctors there for the full 12 months?

Mr. Berry: Yes.

Mr. Chairman: Could you clarify that for Mr. Kolyn and the committee? Do you have anything else, Mr. Kolyn?

Mr. Kolyn: That is basically what I was interested in--the total income of the doctors in the clinic and for doing any other work that they had. I was just wondering how much extra time they had between the clinic work and a little bit of private practice.

Mr. Foulds: I have three questions which I hope we can deal with fairly quickly. Can you assure us that the participating doctors at St. Marys Clinic did not receive both a fee for service and a capitation fee for the same patients?

Mr. Berry: Yes.

Mr. Foulds: You are absolutely certain of that?

Mr. Berry: Absolutely certain.

Mr. Foulds: So in that sense there has been no double payment by the ministry?

Mr. Berry: That is correct.

Mr. Foulds: My second question has to do with the monitoring. Do you have an up-to-date number for the roster?

Mr. Berry: Yes.

Mr. Foulds: What is that?

Mr. Berry: The roster for April 30, 1981, was 7,178 people

11:30 a.m.

Mr. Foulds: How often do you update that? At the end of each month?

Mr. Berry: Every month.

Mr. Foulds: You have been doing that since September?

Mr. Berry: We had been doing that all along, but with this new contract, this new arrangement, we update that every month.

Mr. Foulds: Are you doing that with all of the HSOs?

Mr. Berry: Yes.

Mr. Foulds: Is that system in effect now with all HSOs in the province?

Mr. Berry: Yes, it is.

Mr. Foulds: So you have a monthly update of the roster with every HSO in the province.

Mr. Berry: That is correct.

Mr. Foulds: The roster is devised by people actually signing into the clinic.

Mr. Berry: That is correct.

Mr. Foulds: And that is firmly in place.

Mr. Berry: Yes, it is.

Mr. Foulds: The other question I have is to do with specialists. I do not quite understand how the clinic makes use of specialists. Are all the specialists members of the clinic? Let's just talk about St. Marys.

Mr. Berry: The clinic has an agreement with specialists to provide specialist services to the roster population. The specialists, obviously, are not on site because the roster itself would not warrant having a full-time specialist for the size of the population on the roster. There is an agreement with a specialist to provide specialist services for those patients when it is required and when referral is made.

Mr. Foulds: Do the specialists you list in your reply today have an obligation to see the patients referred to them on a priority basis?

Mr. Berry: I cannot really answer that. I expect so, yes. The agreement has been worked out between the St. Marys Clinic and those specialists that they will look at the roster patients and will do so upon referral.

Mr. Foulds: Obviously, one of the advantages of the capitation system is, just like the Bank of Montreal provides a full service package, that they provide a full service package for a patient. It seems to me that the patient, therefore, and the ministry paying the capitation fee have a right to expect that the patient does not have to wait unduly for the specialist service. What I want to find out from the ministry is what mechanism you have put in place to ensure that that happens.

Mr. Berry: We have no mechanism in place to make sure that happens. As I mentioned before, we have been interested in doing a patient satisfaction study periodically.

Mr. Campbell: Mr. Foulds, if I could comment on that point, one of the interesting concepts here is the incentives provided to do things right and how that affects human behaviour. For example, you mentioned the priority service. If patients do not receive pretty good service, priority service as it were, they can easily go somewhere else, in which case the organization is penalized because it loses the capitation.

For example, if they are not able to see a specialist as soon as they want to, they can go and see a specialist some place else outside the system. It does not cost the patient anything, but the HSO is penalized. It does not get the fee, even though the patient then could go back to the HSO for another 10 visits during that month and it would have to provide that service free.

There is a strong incentive on the part of the HSO to provide reasonable kinds of agreements with specialists that their patients are going to get good service, or they will not keep

their patients. It is the same thing with the specialists. If they do not provide the service, they are not going to be part of that agreement. It seems to work.

Mr. J. A. Taylor: The success of this system is dependent on an outside system.

Mr. Campbell: No. It is a benefit. It is an incentive.

Mr. J. A. Taylor: If you expanded this system to cover the whole province, it would not work.

Mr. Campbell: No. Here is the question. In the United States, one of the fundamental principles they use is that if there are equivalents to HSOs, there have to be several in operation so there can be competition, so if patients are not getting good service in one, they can take their capitation and go somewhere else.

In our system, the equivalent is that they can go to a fee-for-service physician. So there is competition and that is what keeps them efficient and honest. That would be another argument. You could not start locking people in because you would remove the possibility that they could go elsewhere and remove the competitive element. They have to compete.

Mr. Foulds: That takes into account the bourgeois middle-class ethic. It does not take into account a working-class ethic where people may be genuinely ignorant of service available or, to use classic Marxist terms, it may not take into account the lumpenproletariat that just does not know what service may be available.

Mr. Campbell: Can I give you an interesting example of how that market system, that competition system, works? In the state of California they had, in San Francisco, eight of these. One of them was a deluxe Cadillac type of system where the people actually had to pay an extra premium over the premiums that their employers paid to sign them up. Another one was a cut-rate system. They were worried about this, so the state government set up an accreditation board that checked the quality of the programs.

What happened was that there were two systems that were providing inferior service. The workers found out and withdrew their business before the state accreditation agency could catch up with them. In every case the market worked. We are talking about people working in the Boeing plants and this kind of thing. They just took their business elsewhere.

Mr. Foulds: Yes. They are highly-sophisticated, unionized workers. I am thinking of people who are unorganized.

Mr. Chairman: I do not want to get into a discussion of Marxian dialectic, quite frankly. I thought it had been disproved a long time ago anyway.

Mr. Foulds: Do you have any figures with regard to the availability of specialists in this system in terms of the

availability of specialists in the OHIP system? For example, in Thunder Bay it probably takes three months to get a referral to an audiologist, where there is no HSO. I assume that is, in some places, fairly common unless the problem is fairly acute. Do you have any figures comparing the two?

Mr. Berry: No, I am sorry, I do not. I would truly like to have those figures. Obviously, in the cases of those HSOs that have special services available on staff, it is our assumption that the services are provided more rapidly. Our experience with Sault Ste. Marie is that that is the case.

The question you asked before is whether they got special consideration from the specialists if they were on the roster--probably not. They do not have to wait any longer obviously. It is my view that having a relationship with an HSO will improve the amount and speed of services from specialists, but we do not have that information.

Mr. Foulds: Thank you, Mr. Chairman.

Mr. Berry: Mr. Chairman, I am able to provide the figure for the total amount of payment made under fee for service for St. Marys Clinic in the financial year (inaudible) 1980, and it is \$21,969.15. That is the total.

That is from OHIP. There was a small amount from workmen's compensation of \$5,555. There is miscellaneous revenue which I cannot attribute to medical services. There is also some interest, which obviously does not relate to medical services. We have two items that are clearly medical, the \$21,969 and \$5,555.

11:40 a.m.

Mr. Kolyn: Might I ask one slight question? We are talking about the system and tightening it up. What happens when people go away on holidays for two or three months. If the elderly go to Florida, say, what happens in the interim three months if they are into one of these systems? Who checks whether they have gone away for holidays? Do they report to anybody? What is the mechanism?

Mr. Berry: If people go away on holiday, I assume they do not report to anyone. If they receive services while they are away on holiday, if medical charges are made on their behalf during the time they are away, it comes to our attention through our information service.

Mr. Chairman: How many partners are there at St. Marys?

Mr. Berry: Six, currently.

Mr. Chairman: Is that six doctors, or are there others who are not partners?

Mr. Berry: Yes. There are six partners and St. Marys use other physicians on a part-time basis during the time people are on holidays. Of course, the specialists are not included in that partnership group.

Mr. Chairman: If you divide six into \$843,000, you get a fairly high gross income, which is substantially more than \$58,000, not counting their outside billings, which you have indicated are fairly minimal. That comes to over \$100,000 each on a gross basis.

Mr. Berry: You are speaking as if they were being paid regular fee for service.

Mr. Chairman: Yes. If you slice the pie into six equal parts, if you slice \$843,00 into six equal portions, it comes to over \$100,000 each. I realize that is not a net figure.

Mr. Berry: No. The fact is that \$873,000 covers the total cost for all medical services. It would not be shared by the six partners. There are specialist services which they provide within the roster, but also all the specialist services outside are included in the \$873,000.

Mr. Chairman: Does anyone have anything else? Given the complexity of this, the committee would like to study the statement. We had hoped we would have the written response beforehand because it is a very complicated matter. We may be asking you to come back after we have had an opportunity to digest this.

Mr. J. A. Taylor: This is just tremendous, Mr. Chairman. If this thing works as well as it obviously does at such a great saving, if we tightened up the system and multiplied the number of health clinics around the province, we could cut Timbrell's budget in half.

Mr. Chairman: He is sitting at the back. I wonder how he would like to respond to that. I must say that we are getting a much rosier picture this year than we did last year.

In our report, the committee, which unanimously agreed to the comments in regard to the clinic, made some comments particularly about Mr. Berry and Dr. Suttie. I would like to give you gentlemen an opportunity to comment on those if you so desire.

Mr. Campbell: Mr. Chairman, I wonder, as deputy, if I could comment on that because I took great pains to look into some of those questions and I have had some discussions with the provincial auditor. The most serious concern I had was the suggestion of the lack of co-operation. I mentioned that I was relieved to find it mentioned in the current report we are discussing that there was full co-operation.

I think the comments go back to previous years. In tracking it down, I could find two examples where there seemed to be some difference with the auditor's staff. One was in getting data from OHIP about patients who were patronizing doctors in the surrounding area outside the HSO.

Our staff had just been through two years of rather heavy going with Justice Krever where there was strong criticism directed towards ministry staff about even divulging things like the home address of somebody with an OHIP number, which had nothing to do with medical records or anything else. In fact, in all the furore about the Krever report, that was mostly the kind of information that was being debated.

The staff--in fact, legal opinion--did not feel under the OHIP act that they had the authority to provide that information. They offered to get a legal opinion to see if it could be provided in some other way, for example, through the provincial auditor's act. I am told in that case that the provincial auditor's staff said, "We'll get it another way", and went directly to the physicians and got the information.

That may have been interpreted as lack of co-operation. In defence of our staff, they did not see it as lack of co-operation. They felt they had a legal problem in answering the request, and I think they did offer to go into it further, but they had no further comments, and the auditor's staff got it from another direction. That is the kind of thing I was able to find, and I did want to set the record straight at some point.

We could go into this in great detail. I have talked to the provincial auditor, and we have an agreement that, in future, if there are any cases of misunderstanding where information is requested, I have told my staff, and I have asked the auditor's staff as well, if there are any problems, certainly I would like them drawn to my attention. We will make sure that the information is forthcoming in one way or another. I think that was really the basis of the comments that were made in previous years.

Mr. Chairman: I do not wish to draw this out, Mr. Campbell, but that is only part of the story. If you have read our report and gone through Hansard, which I know takes a lot of time, you will have seen that it was the feeling of the committee at the time that Dr. Suttie and Mr. Berry were also not co-operative with the committee. I must say I note a great change in attitude in terms of trying to monitor the roster system.

My feeling at the time, and all members of the committee signed the report, which I did not personally write, was that Mr. Berry and Dr. Suttie did not seem to be very interested in improving the roster system, which we felt was the largest problem. I think it is fair to say that I note a great change in attitude in that regard, at least from Mr. Berry--Dr. Suttie has been remarkably silent this morning--and the deputy minister.

Mr. J. A. Taylor: Mr. Chairman, you have to remember the new membership on the committee itself. I am sure that might even have been a factor, if there was any truth in what you said.

Mr. Chairman: Yes, we had a lot of good members on the Tory side last year.

Mr. J. A. Taylor: I see Mr. Philip is here now on the committee, and we have had nothing but co-operation.

Mr. Philip: Co-operation between you and me? Is that what you are saying?

Mr. J. A. Taylor: Absolutely, and the Ministry of Health.

Mr. Chairman: I have one further comment to make. I find it interesting, Mr. Campbell, that your schedule should be so highly secretive.

Mr. J. A. Taylor:: The freedom of information legislation isn't in place yet.

Mr. Chairman: Calls to your office asking about your whereabouts were met with "No comment" or "We can't give out that information."

Mr. Campbell: People who work at senior levels of the health system unfortunately get death threats periodically, so the staff is not usually very forthcoming about schedules. But that is another problem.

Mr. Philip: You are lucky you do not work for the Workmen's Compensation Board.

Mr. Foulds: I should like to request that we have a transcript of this.

Mr. Chairman: You should be receiving the printed Hansard every week as soon as it is available.

Mr. Foulds: I seem to be missing it.

Mr. Chairman: Check our roster.

Mr. Foulds: Thank you.

Mr. Chairman: Is there anything further then? Thank you for your co-operation. It is nice to see the minister monitoring the proceedings as well.

Gentlemen, before you depart, there are just a couple of items that will not take more than a couple of minutes. We were going to deal at this meeting with the tentative fall schedule. Could I run down it for you? I think they have been tentatively agreed to.

We are going to deal with the Civil Service Commission and its response to our report of last year; the Ontario Science Centre and the awarding of contracts; I hope, Mr. Cousens, if we have any information, on economy in data processing; the internal audit project, on which the auditor spent a great deal of time in his report; the Liquor Control Board of Ontario; and the Ministry of Energy.

We will have that typed up for next week. Is there any problem with any of that?

Mr. Foulds: There is no problem with any of that. I believe the auditor did a report--and I am sorry I have misplaced my own copy of it--in February of this year on government advertising. Is that right?

Mr. Scott: Yes, there was one tabled.

Mr. Foulds: I wonder if we could have some consideration of that report at some time in our future deliberations.

Mr. Chairman: Government advertising?

Mr. Foulds: Yes, the report was in February--I have forgotten the exact date now. In fact, I obtained a copy and I have misplaced it. I could not find it this morning.

Mr. Scott: We can send you another copy if you want.

Mr. Foulds: I would appreciate that and if we could consider it at some time in our future schedule.

Mr. Scott: January 14.

Mr. Chairman: One other matter is the revised budget we had agreed to deal with. We have included the possibility of five people going to the legislative auditors and public accounts meeting in St. Andrews, New Brunswick. The original thought was that the chairman and vice-chairman would go. Someone, I believe it was Mr. Taylor, mentioned that there should be a representative from each of the other two parties.

If that is your wish, could you decide amongst yourselves and let me know as soon as possible if anyone wishes to go because we have to make arrangements?

Mr. J. A. Taylor: It was not I that suggested that, but Mr. Cousens, but I do not object.

Mr. Chairman: I would like to know by Monday afternoon at the latest because otherwise it will be impossible to make arrangements.

Mr. Philip: Maybe I did not understand what that decision was. What is the objective of this trip, what do we hope to accomplish and where are we going?

Mr. Chairman: This is the third annual meeting of the public accounts chairmen and vice-chairmen from across Canada. We meet in conjunction with the legislative auditors who have been meeting for some number of years to discuss mutual problems and exchange ideas and that sort of thing.

It was a feeling put by Mr. Cousens last week that, as well as the chairman and vice-chairman going, a member of each of the other two parties go, particularly because the vice-chairman was a member of the same party as the chairman.

There is no obligation on anybody but there is the opportunity for one NDP member and one Conservative to go.

Mr. Philip: And where is this being held?

Mr. Chairman: St. Andrews-by-the-Sea in New Brunswick on July 5, 6 and 7.

Are there any further questions about the budget? The trip to Ottawa has been added in as well. Could I have a motion accepting the budget, unless there are any further questions?

Mr. Cousens moved acceptance of the budget.

Motion agreed to.

Mr. Chairman: New business. Does anybody have anything to bring up? If not, we stand adjourned.

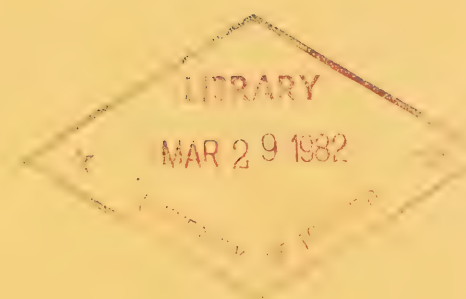
The committee adjourned at 11.54 a.m..

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STANDING COMMITTEE ON PUBLIC ACCOUNTS

AUDITOR'S REPORT RE
LIQUOR LICENCE BOARD OF ONTARIO

THURSDAY, JUNE 11, 1981



STANDING COMMITTEE ON PUBLIC ACCOUNTS

CHAIRMAN: Reid, T. P. (Rainy River L-Lab.)

VICE-CHAIRMAN: Peterson, D. R. (London Centre L)

Cousens, D. (York Centre PC)

Cunningham, E. G. (Wentworth North L)

Foulds, J. F. (Port Arthur NDP)

Philip, E. T. (Etobicoke NDP)

Pollock, J. (Hastings-Peterborough PC)

Sargent, E. C. (Grey-Bruce L)

Scrivener, M. (St. David PC)

Taylor, J. A. (Prince Edward-Lennox PC)

Villeneuve, O. F. (Stormont, Dundas and Glengarry PC)

Yakabuski, P. J. (Renfrew South PC)

Substitutions:

Kolyn, A. (Lakeshore PC) for Mrs. Scrivener

MacQuarrie, R. W. (Carleton East PC) for Mr. Villeneuve

Samis, G. R. (Cornwall NDP) for Mr. Foulds

Clerk: White, G.

Researcher: Fletcher, M.

From the Ministry of Consumer and Commercial Relations:

Walker, Hon. G. W., Minister

From the Office of the Provincial Auditor:

Scott, F. N., Provincial Auditor

Witnesses:

From the Liquor Licence Board of Ontario:

Blair, W., Chairman

Boukouris, P. G., Director, Administration Branch

LEGISLATURE OF ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday, June 11, 1981

The committee met at 10:12 a.m. in room No. 151.

AUDITOR'S REPORT RE
LIQUOR LICENCE BOARD OF ONTARIO

Mr. Chairman: I will call the committee to order.

We are dealing this morning with the auditor's report, section 3.7, relating to the Liquor Licence Board of Ontario.

We have with us this morning Mr. Willis Blair, the chairman, and Mr. P. G. Boukouris, director of the administration branch, and the Hon. Gordon Walker, Minister of Consumer and Commercial Relations. I am glad to see he is taking an interest in our proceedings; more so, obviously, than some of our members this morning.

Mr. Blair, would you have any opening statement or comments in regard to the matters the auditor has raised?

Mr. Blair: I did not come prepared with an opening statement, Mr. Chairman, but if you are asking for one, I will try to oblige. As you know, I am new on the scene, as is my friend here, my mentor, Mr. Walker.

You have the auditor's report before you. The matters of concern that were raised, and the response to it, pretty well speak for themselves.

There have been some things taking place that, no doubt, should not have taken place and steps have been taken to ensure they do not occur again. Sometimes too many cooks spoil the broth and perhaps the procedures down there have been such that would lead either to misunderstanding or more than one person authorizing expenditures that should be perhaps directed through one channel; and steps have been taken to change that situation.

I think perhaps it would be best if we could deal with specific questions. If there is any elaboration needed on the responses to the points that have been raised by the auditor, we will try to answer them; or if there are any new questions that some of the members might have, we will try and respond to those as well.

Mr. Chairman: I can appreciate, Mr. Blair, that, being new in the position and certainly new before this committee, you may have some concern as to what the procedures are here.

Basically, what we are concerned about is ensuring that the auditor's comments were fair and impartial and that, if there was something wrong, steps be taken to ensure it does not happen again.

Would it be possible for you to give us some specifics as to what steps have been taken to ensure that this will not happen again? Particularly could you indicate to us whether you are following the Manual of Administration as laid down by the government in regard to these matters: the use of cars, expense accounts, and so on?

Mr. Blair: Yes.

As far as the use of cars is concerned, we have a program where we lease cars for the use of inspectors and there is one other car that is used for a variety of people; but the executive director does not have a car for his own use and that is alluded to, of course, in the report.

As far as tightening up procedures regarding expenses is concerned, you can appreciate the fact that some of the procedures were new to me when I arrived, but after having several meetings with Mr. Boukouris, it was obvious that there were several signing officers, but no one way to channel the authorizations through; and, as you know--or maybe you do not know--they go up to the Liquor Control Board of Ontario, our landlord upstairs.

Just this last week it was brought to my attention when we were reviewing the budget for the current year that my friend Mr. Boukouris was a little embarrassed about not knowing the full details of some of the expenditures of last year that are used for comparative purposes. So I have issued a directive to all and sundry who were involved that all expenditures have to be channelled through Mr. Boukouris' department, although there are several people who can authorize them. But he will be responsible for making sure that they are according to the rules and regulations; and that includes anything I may authorize myself, I would say.

Mr. Chairman: The committee is quite concerned that accountability and responsibility be identified with one person, so we will know who to go after next time.

Mr. Blair: If you want to know what I did specifically--I just happened to do it yesterday because we were discussing it last week as a result of several discussions we had even before I knew that we were to appear before this committee, which I only knew about two weeks ago. I have issued a directive, I do not know whether you are interested in hearing it or not--

Mr. Chairman: I think it would be helpful.

Mr. Blair: This is to Mr. Jackman, the senior assistant general manager and comptroller of the liquor control board, and it is from me, with a copy to the director of finance of the LCBO, to Mr. Leach, the assistant general manager of audit security, LCBO, and to the executive director of the Liquor Licence Board of Ontario, the legal counsel and the four directors, of which Mr. Boukouris is the director of administration.

The other directors, incidentally, are Mr. Mills, director of licensing; Mr. Henderson, director of inspection; Mr. Rolling,

the director of special occasion permits; and, of course, as well, to our own members.

It reads as follows: "In order to ensure that the Liquor Licence Board of Ontario procedures are consistent with the provincial government's financial restraint posture, it is necessary to ensure that paragraph 8, bylaw number 1, passed by the board on January 24, 1977, be given proper effect.

"Henceforth all documents, including expense claims which will result in expenditure of board funds are to receive the approval of the director of administration before payment is made, notwithstanding the appearance on the document of the signature of any other authorized signing officer. The review by the director of administration will include, but not be limited to, the conformity of the expenditure with the proper sections in the Manual of Administration or other liquor licence board internal policies.

"Extraordinary items, or those where there is an unresolved difference of opinion between the above signing officers, shall be referred to the chairman of the board or to the full board for determination."

Mr. Chairman: I may have missed it, Mr. Blair, but in matters such as the mileage that is being claimed and expense and accommodation allowances, I did not hear those magic words Manual of Administration. Do you have your own rules and guidelines for them?

Mr. Blair: I had alluded to the manual--

Mr. Chairman: I am sorry, I may have missed it.

10:20 a.m.

Mr. Blair: "The review of the director of administration will include, but not be limited to, the conformity of the expenditure with the proper sections in the Manual of Administration or other liquor licence board internal policies."

Mr. Chairman: Yes, I guess that is maybe what confused me. Would your internal policies be different to what is in the Manual of Administration?

Mr. Blair: It is just a matter of processing or carrying them out.

Mr. Sargent: Have you made any changes on this in overages?

Mr. Blair: What do you--

Mr. Sargent: For instance, the chairman was \$25,000 in excess of the allowances.

Mr. Blair: Mr. Sargent, I think that was referring to the fact that the arrangements he entered into with whoever it was

at Queen's Park, regarding his coming on as chairman of the board, had not been put down on paper, or a part of an order in council. The order in council has since been passed to--

Mr. Sargent: Do you mean it was a verbal agreement?

Mr. Blair: As I understand it, it was a verbal agreement.

Mr. Sargent: I say it kindly, having dealt with your operation for many years. How can you whack the hell out of the hotel industry and make it so tough? Every minute you are going to close them up if they do not adhere strictly to the law, but you have verbal agreements like this--a \$25,000 overage you have not recovered yet.

Mr. Blair: As I understand this--maybe others would have more knowledge in this matter than I--as far as the auditor was concerned, there was no authority for that. Now that authority has been given, although after the event, or after most of the events.

Mr. Yakabuski: They are doing it in Ottawa all the time; just last week somebody up had been supposedly fired. They are doing it all the time. They are doing it up in Ottawa all the time.

Mr. Chairman: I do not think that is exactly relevant, Mr. Yakabuski.

Mr. Yakabuski: Somebody had been fired and then they--

Mr. Chairman: Mr. Sargent, are you finished?

Mr. Sargent: My question has not been answered, Pat. If there is an overpayment, why do you not recover it?

Mr. Blair: As I understand it, and Mr. Walker might have something to say about this, the arrangements that were entered into were regularized after that.

Mr. Sargent: How do we know that? We do not know that.

Mr. Blair: It is stipulated here; there was an order in council.

Mr. Chairman: It is in the auditor's report.

Mr. Blair: It is on page 68, down towards the bottom.

Hon. Mr. Walker: An order in council was passed on June 24, 1980, as number 1888/80, which regularized the payment that reflected the original agreement made with Mr. Rice, apparently, in 1976.

Mr. Peterson: The impression I get from reading this is -- What evidence do you have of that verbal agreement? Give me one flake of evidence.

Hon. Mr. Walker: If you are asking me, I have none.

Mr. Peterson: Who does? I am going to tell you of the impression I am getting. I get the impression there is no agreement. This thing just happened along. In order to regularize it you are backdating it.

I am not saying that Mr. Rice was larcenous or anything like that, but I am saying there was maybe a grey area that he thought it was his prerogative to take advantage of, and rather than avoid embarrassment for the government, you are just saying, "Really that was part of the agreement, even though there is no evidence of that, therefore we are going to regularize it after the fact."

Can you dispell that impression I have by providing me with one scrap--who was the verbal agreement between?

Hon. Mr. Walker: First, let me try to answer as best I can. You are faced with a situation where you have a new minister, who is not privy to the discussions in this case, and a new chairman, who was not, of course, privy to the discussions. It involved a matter that goes back to 1976 when the chairman of the day, Mr. Eber Rice, was engaged to be chairman, presumably by the then minister, although I do not know that.

Mr. Peterson: Who was that?

Hon. Mr. Walker: Mr. Handleman, I believe, who has since left this Legislature. The only recollection I can provide you--

Mr. Peterson: Just so I understand. Would Mr. Handleman sit down with Mr. Rice, at that point and as minister say: "I am going to hire you. Are you ready to run this for me? We have got to talk about this. Let us make a deal. I am going to pay you X amount of money. You have got such-and-such for expenses, and of course you can drive back and forth"? Is that the way you hire senior staff? Do you hire senior staff like that?

Mr. Blair: I cannot say I have engaged senior staff in that way, but that is only because I have not engaged senior staff. I do not know the way it would have been done by Mr. Handleman at the time. All I know--

Mr. Peterson: Did Mr. Handleman make that decision? Who hired Mr. Rice?

Hon. Mr. Walker: Mr. Rice was a member of the board at the time. He graduated to become the chairman of the board.

Mr. Peterson: Who decides that, the order in council?

Hon. Mr. Walker: The cabinet would make that decision. It would be on the recommendation undoubtedly, of the Premier (Mr. Davis) and the minister.

Mr. Peterson: Who would take the news to Mr. Rice and say: "Mr. Rice, you are our man. We would like you to take the job and here is the terms of the deal"? Who carries the news? Is that a staff person or a ministerial function?

Hon. Mr. Walker: I suppose there are different people at different times. I do not know who it was at that time.

Mr. Peterson: Of course, Mr. Walker, you appreciate our problem here.

Hon. Mr. Walker: Sure.

Mr. Peterson: We are always facing--

Hon. Mr. Walker: The only thing I know is that we have a situation where in the expenditure of some \$6 million there was found to be one irregular situation. The auditor has indicated that we recommend an order in council be obtained authorizing the payment of the chairman's commuting expenses. An order in council was obtained.

Mr. Peterson: Yes, but after the fact.

Hon. Mr. Walker: Yes, the minister of the day did what the auditor requested.

Mr. Peterson: Yes, but let me give you an analogy. Supposing you, as a minister who has the public trust, was found to be using government airplanes for your own purposes. Holy smoke, that could be trouble.

It is a grey area. Is it really personal? Is it really political? Is it really government? Who knows? Therefore, after the fact, you have an order in council to regularize your behaviour. You can see the problem we are into. It makes you complicitous in--

Hon. Mr. Walker: Just a minute now. Don't describe me as being complicitous. I am sorry. I do not know what this is.

Mr. Peterson: No, I am sorry. I think it makes the government complicitous, either in covering up their own errors, or complicitous in a minor fraud of some type or other.

Hon. Mr. Walker: If you mean regularizing what was in error, there is no question.

Mr. Peterson: What I am suggesting is there is no evidence that it was in error. Maybe it was taking advantage of the system, which was regularized in order to avoid political embarrassment. That is what I am saying. I see no proof from you that he had that prerogative. If I am being unfair, please tell me.

Mr. Blair: Mr. Chairman, I am not privy to what went on then, but I will make an observation. Mr. Rice was a part-time member before he became the chairman. The only full-time member is the chairman. The rest are part-time. Wherever they reside in the province, they get their expenses to hearings.

Obviously he commuted from Union to wherever he was acting on behalf of the board as a part-time member. He did not move to Toronto. That is what I am getting at. Then when he became

chairman, obviously there was some arrangement made regarding his not coming to Toronto to pay moving expenses, or whatever. I do not know. I just assume that.

Mr. Peterson: Generally speaking, full-time people who live in Toronto do not get work expense travelling to work.

Mr. Blair: He did not live in Toronto.

Mr. Peterson: Yes, I know, but that is a basic rule of income tax. It would not be deductible for income tax purposes.

Mr. Blair: No, but his salary and other entitlements would be likely in a subsequent order in council to that in which he was appointed. I was appointed as of April 15, but my salary and other things have not been dealt with yet. They will come into force with an order in council.

Mr. Peterson: I hope you do not live in North Bay.

Mr. Blair: No. There is no commuting problem with me.

Mr. Peterson: Generally speaking, when someone comes on full time with the government, they are obligated to-- If he wants to live in Union, North Bay or Kenora, that is his problem.

Hon. Mr. Walker: Of course, now, David, he would be treated in a similar way to what any other civil servant would be, and in that case his living expenses would be covered, and perhaps the difference in the sale of his home would be covered.

Mr. Peterson: Do you cover differences in the sale of homes?

Hon. Mr. Walker: I beg your pardon?

Mr. Peterson: Are you telling me if you move a guy from London to Toronto, you cover the difference in the price of his home?

Hon. Mr. Walker: Yes. Under the Ministry of Government Services, there is a guaranteed price for a person's home.

Mr. Scott: I cannot give you the exact terminology, but they pay the relocation expenses, which is the real estate fees and the lawyers' fees.

10:30 a.m.

Mr. Peterson: Yes, but not the difference in the price of the home.

Mr. Scott: No, not the difference--

Mr. Peterson: That is exactly my point.

Hon. Mr. Walker: No. Is there not a guaranteed price put on the home so it is a guaranteed sale?

Mr. Scott: Yes. If the home is not sold, then the government will purchase that home, hold it and then resell it. If there is a profit, the profit goes back to the employee. If there is a loss, then the government has to take the loss.

Hon. Mr. Walker: It is purchased at an appraised price.

Mr. Scott: That is right. I think on three appraisers.

Mr. Peterson: But they do not make up the difference between, say, housing costs in Toronto and North Bay.

Hon. Mr. Walker: I suspect the cost of relocation for Mr. Rice probably would have offset any money that he might have received under this arrangement to receive his commuting expenses to and from Toronto.

Mr. Peterson: But that is an ex post facto rationalization. It may or may not have been the case. If he lived in a pup tent it would not have. What bothers me is cleaning up either sloppy behaviour or quasi-questionable behaviour after the fact by way of order in council.

Do you have one scrap of evidence about the existence of that verbal contract? Do you have an affidavit? Do you have any recorded conversations? Do you have minutes or any indication that was the intention?

Mr. Scott: Not to my knowledge, no.

Mr. Kolyn: I would just like to make an interjection. I wonder if you could help me. Remember the judge from Orangeville who used to be on the board? What is his name?

Mr. Sargent: Robb.

Mr. Kolyn: Robb, yes. If I remember, Chairman Robb used to live in Orangeville--this is years ago--and he used to travel back and forth. There must have been some precedent set for mileage or something somewhere along the line, would you not think?

Mr. Chairman: Are you directing that to me, Mr. Kolyn?

Mr. Kolyn: No.

Mr. Chairman: I think my concern is the problem of who made the arrangement with Mr. Rice and how that was done. We do not seem to know whether it was the minister or Ed Stewart or Eddie Goodman or who it might have been.

Mr. Blair: Mr. Chairman, I have a copy of a letter written to Mr. Drea in May of last year when this item was raised by the auditor. It is a several page letter but one item says:

"As you are aware, I was under the impression that a verbal agreement was in place with the government to cover my travelling expenses from St. Thomas to Toronto."

I hope the order in council will eliminate this item. He was operating under the impression that that was so and the auditor, to substantiate the expenditure of the money, regularized it.

Mr. Sargent: He was under that impression but if they had actually caught him he would have had no repayment. Then he came up with the fact he had an agreement, but we have no agreement. The fact is it was not clear there was any authority to grant him the use of a car, either. Is there any reason why he should have a car?

Mr. Yakabuski: I want to chip in, Mr. Chairman. We realize there is an order in council now covering the item in question, but I was also wanting at that time to confirm what the provincial auditor more or less outlined. That is that when a government employee moves and he or she has difficulty selling their residence, it is then purchased by the Ministry of Government Services--is that right?.

Mr. Scott: That is right.

Mr. Yakabuski: When it is sold, if there is a profit it goes where?

Mr. Scott: If there is a profit it goes back to the employee.

Mr. Yakabuski: He is lucky. If there is a loss the government absorbs it?

Mr. Scott: That is correct.

Mr. Yakabuski: So in both instances the employee cannot lose. The employee here did not lose either.

Mr. Scott: Provided he is being relocated at the request of--

Mr. Yakabuski: So the employee does not lose in any event. I think this is common in almost every ministry of government. Ontario Hydro has the same type of arrangement in effect because I have run into instances there. It is very common, and the bottom line there is that the employee does not lose. That is the point I am trying to make.

Interjections.

Mr. Yakabuski: That is fine. Many of us wish we were sitting in the civil service than where we are; we would change any day.

Mr. Chairman: You are not suffering that much, Paul.

Mr. Philip: But the benefits in private industry for a transfer are quite often considerably higher than what senior civil servants are getting, so I do not really think then that somehow it is a major problem.

Mr. Chairman: Gentlemen, in any case I do not think that is a major concern before the committee.

The auditor raised the question of the somewhat expensive inspectors' seminar, which included alcoholic beverages, if someone has further comment to make on it.

Mr. Peterson: I have one supplementary. In your response you say the chairman's expenses had been agreed upon at the time of his appointment. That was the ministry's response.

Mr. Blair: I was quoting from a letter from Mr. Rice to Mr. Drea of a year or so ago.

Mr. Peterson: So the only evidence to support that that was agreed upon was Mr. Rice's letter?

Hon. Mr. Walker: That is the only evidence before us at this minute. You are talking to two people who have not gone back to inquire what the situation was in 1976; namely, the chairman, who was appointed two months ago, and the minister, who was appointed two months ago. Neither of us has gone back to ask what was the arrangement back then. We have accepted what was requested by the auditor and what was then approved.

The auditor requested an order in council and one was obtained. We felt that that resolved that particular issue. Obviously it is in the interest of the board to ensure that in future all matters are regularized by proper agreement and I am sure the chairman is cognisant of that as he assumes these duties.

Mr. Sargent: If you have another case like this, if this happens to you as it did a couple of years ago, you as the minister can okay an order in council to cover up the mess, eh?

Hon. Mr. Walker: I think that is putting it in provocative words.

Mr. Sargent: How do you see it?

Mr. Yakabuski: Correcting an error, that is all.

Hon. Mr. Walker: When an auditor does his job properly and brings up the matter, that is hardly considered a coverup.

Mr. Philip: Mr. Minister, would it not occur to you, knowing about the business before the committee today, that you would at least have called Mr. Handleman and found out whether or not you could have provided more evidence?

I want to believe you, and I know you feel that what you have said is correct, you have got no evidence to the contrary, but it would have certainly strengthened your position if you had called Mr. Handleman and said: "We are going before public accounts. Here is the problem, can you give us a statement of what did happen back there? What was your understanding?"

Hon. Mr. Walker: Not only did it not occur to me to not call Mr. Handleman, but I did not call him.

The fact I keep mentioning to you is that in the auditor's report he has made a recommendation that an order in council be obtained. One was obtained long before I came on the scene as minister in this portfolio and that, to my way of thinking, answered perfectly the auditor's criticism, valid as it was. It was answered by passage of the order in council by the cabinet almost a year ago now.

With respect to the chairman, I am sure as he continues his day to day dealings with the Liquor Licence Board of Ontario he will ensure that this does not develop again.

Mr. Chairman: Perhaps to clarify may we ask Mr. Blair how he was appointed. You indicated that there was no contract signed, or order in council passed in regard--

10:40 a.m.

Mr. Blair: An order in council was passed to appoint; just my name and Toronto underneath it, as there would be a subsequent order in council dealing with my salary and vacation, I suppose.

Mr. Sargent: What is your salary then?

Mr. Blair: Just a minute; \$53,700.

Mr. Peterson: Who brought the message to you of what your salary was? When you were hired, how did it happen? Who came to you and said, "You are our man"?

Mr. Yakabuski: Was it on December 24?

Mr. Blair: No, it was not.

Mr. Chairman: Were you reading the classified ads one day?

Mr. Blair: I was actually contacted officially about April 2 or 3 by the Deputy Premier. He knew I had been approached regarding it and I sort of said yes when I was approached.

Mr. Peterson: Did someone else approach you before that?

Mr. Blair: I was approached by the Premier's office ahead of that.

Mr. Peterson: Someone approached you and you said, "How much is the pay?"

Mr. Blair: No, I did not ask how much it paid. I was not too concerned about the pay. I was concerned about moving from the municipal board to the liquor licence board and whether it was a position that appealed to me.

Mr. Peterson: Who did you talk to about the terms and conditions--the portability of pensions and all that kind of stuff?

Mr. Blair: Dr. Stewart. It was only a conversation regarding going there in the first place and the timing.

Mr. Peterson: Did you make a little note and say, "Look, Ed Stewart says--"

Mr. Blair: I asked what Mr. Rice was getting, and it was \$53,700.

Mr. Peterson: And what about the other terms and conditions?

Mr. Blair: There were no others. I assumed that having been at the municipal board where there were certain other entitlements already in place, that there was likely something here and in the fullness of time those would be regularized. They have not been up to this moment.

Mr. Chairman: It seems we are back in the same position, are we not?

Mr. Blair: This deals with the business of Mr. Rice commuting to St. Thomas--

Mr. Chairman: But it is the same, Mr. Blair, in that there was no order in council that dealt with that particular item. What you are now waiting for is another order in council which presumably is going to confirm whatever conversations you had with Dr. Stewart. I presume, by the way, when you say Deputy Premier, you were referring to Dr. Stewart?

Mr. Blair: Yes.

Mr. Chairman: He is not the Deputy Premier.

Mr. Blair: He has some title; he is from the Premier's office. That is what I meant to say.

Mr. Chairman: Yes, I think the point is that these things should be done at the time of the appointment.

I think we have gone about as far with this one as we can. Can we go onto the next item then?

Mr. Sargent: Before you go, how many people have a government credit card?

Mr. Blair: In our department? I am not aware of any.

Mr. Philip: What is a government credit card?

Mr. Sargent: (Inaudible) although he was in possession of a government credit card. Do you have one?

Mr. Blair: No, I do not.

Mr. Sargent: How did he have one?

Mr. Blair: I would not know.

Mr. Sargent: If I had a government credit card what can I do with it?

Mr. Chairman: About the same you can with an Esso credit card.

Interjections.

Mr. Peterson: If you drive somewhere on government business, what do you do? Do you drive your own car?

Mr. Blair: Yes, or there is a car that is used for other board members and one inspector who does a whole variety of courier items such as dumping liquor at the police stations. He will take the chairman, if he is around. He brought us up this morning, for instance, but he was not around yesterday and there were about three items I had to deal with and I did it in my own car. I do not charge expenses.

Mr. Peterson: You do not charge mileage expenses at all?

Mr. Blair: If I was going out of town I guess I am entitled to it, but I have not had that occasion yet.

Mr. Sargent: Do you have a driver?

Mr. Blair: One gentleman, who dumps the liquor and does all the other myriad messenger services is the fellow who drives. If he is not around, then that is it.

Mr. Peterson: Do these car expenses come in monthly? How do they come in?

Mr. Blair: Are you talking about the board members?

Mr. Peterson: I am talking about Mr. Rice now.

Mr. Scott: Mr. Chairman, I am only assuming here, but I would assume there would be regularly monthly or weekly expense accounts, plus, if he has a government credit card then the bills would come in from the oil company on a monthly basis for the purchase of gasoline.

Mr. Peterson: But if he bought it himself he would just say so much so per kilometre and send a bill in once a month?

Mr. Scott: Not if he is driving a board car, no; he would not be charging so much per kilometre. If you are driving a government car you would not be charging the mileage rate. You would have a government credit card to purchase the gasoline and oil for that car. The billing would come in on a monthly basis from the oil company.

Mr. Sargent: Here we have a guy who has no right to use a government car, no authority, but he has a government credit card. What did he need the government credit card for?

Mr. Scott: I think he had that government credit card when he had the government car.

Mr. Sargent: But you said he had no authority to have any government car.

Mr. Scott: That is right and I think the chairman has already replied to that, that he no longer has that car. The car has been taken away from him.

Mr. Sargent: How many people have government credit cards?

Hon. Mr. Walker: Scads. Everybody who operates a car in government service.

For instance, if you are talking about Transportation and Communications, all those green and white cars, a person there would have the oil credit card. It is a universal credit card; it is a white card--

Mr. Sargent: What else can you get on that? Meals?

Hon. Mr. Walker: No, just service station services.

Mr. Sargent: Mr. Auditor, why couldn't we put in the computer a request that all people who have government credit cards--do a review of what they are used for and the amounts of money involved?

Hon. Mr. Walker: They can only be used for automotive services, to my knowledge.

Mr. Sargent: Not meals?

Hon. Mr. Walker: I don't think so, unless the service station serves lunch over the counter.

Mr. Yakabuski: Hotels, motels?

Mr. Chairman: They would probably be Gulf, Shell, Esso and things like that, would they not?

Interjection: And Petrocan?

Mr. Chairman: I think we are getting a little far afield here, in any case.

Mr. Blair: Maybe Mr. Boukouris could fill you in in about one minute.

Mr. Boukouris: What happens is this. Every man has a weekly activity sheet that he fills in--the inspectors, who are virtually the only people who have vehicles, except for one vehicle which is down at the head office for the use of anybody. At the end of the week he lists all the places he has been. He has from the leasing company a leasing company credit card, which produces for us at each month a listing of each vehicle under each

man's name, all the charges for various things, including averages of how much per mile and how much has been spent on the car.

If the inspector is in an isolated area and he cannot use that card because there are service stations that won't take them, he then has to pay and get a receipt. That appears on his expense claim, which is filed monthly.

But generally speaking they are under instructions to always use this leasing company card and then we get a computerized printout for every vehicle every month, so we know what the average cost of the vehicle is and how far it has been driven. We can then audit that against his daily diary.

On a sample basis, we usually take one or two every month, if we have time, to check what they have done. So they would not normally pay cash unless they get stuck.

Mr. Sargent: All your inspectors have leased cars?

Mr. Boukouris: They have.

Mr. Sargent: How many of those do you have?

Mr. Boukouris: We now have 81 cars. There are 107 inspectors. We try to get them to use their own vehicles, but they generally do not wish to. We are obliged by the terms of the collective agreement to provide alternative transport where the employee does not wish to use his car. That is a negotiated thing.

We have looked at it continuously. We would like to be out of the car business entirely. We are not really in a position to get out of it because we are limited in what we can offer as compensation. These vehicles are not normally used during business hours but for enforcement purposes. They are subject to some vandalism and they get a lot of rough wear going on country roads.

So much as we would like to, we are limited. The preferential system for us would be to have owning a car a term of getting the job, the way a lot of sales companies do. We are not in the position to do that, so as an alternative we try to get the cars down as cheaply as we can.

We have been downsizing the fleet constantly. Our per-kilometre fleet cost has only risen by one or two cents in the last year which is, considering what has gone on, a very good record.

Mr. Sargent: The former chairman had a government credit card. Our current chairman does not have a government credit card. Is that correct?

10:50 a.m.

Mr. Boukouris: None of them has government credit cards. They had them from the leasing company. But the effect is the same.

In other words, by using the credit card only we got a

computerized billing at the end of the month for audit purposes. If they did not have the credit card and paid cash, we would be getting piles of vouchers and receipts. It is much easier.

Mr. Sargent: All you can get on that is gas?

Mr. Boukouris: That's right--gas and repairs for the vehicle, all of which are then listed--

Mr. Sargent: No dancing girls, no meals, or anything at all.

Mr. Boukouris: No, there's no possibility to get anything--

Mr. J. A. Taylor: That covers the Downtowner.

Mr. Sargent: Waterbeds and all that.

Mr. Boukouris: Our men only have credit cards from us for vehicles.

Interjections.

Mr. Chairman: We are straying a little. Can we get back to item three?

I am interested in the ministry reply on page 70 in regard to the inspectors' seminar: "The hospitality costs were excessive as the supervisor responsible for the seminar did not exercise proper judgement. We are advised he has been severely reprimanded." Is it possible for you to tell us what "severely reprimanded" consisted of?

Mr. Blair: My colleague tells me there was a letter of reprimand put in his file, apart from the verbal.

Mr. Chairman: That's a start. We are glad to hear that because we often find as a committee that these mistakes are made and nothing is done about them. Are there any further questions on that?

Were there any changes in the supervising--

Mr. Boukouris: Yes, there was. There has been a reorganization of the office to provide a vetting level that was not there before. In any case, my understanding is that none of these kinds of affairs will be held again. I think Mr. Auditor had one of his staff come down to go through our records to ensure that that happened. I think he found that we simply are not having these affairs.

Mr. Chairman: Were there any changes in this particular person's responsibilities, other than the fact that he is no longer responsible for setting up these kinds of seminars?

Mr. Boukouris: Yes, in the sense that he is in a position now where he is more closely supervised.

Mr. Chairman: Did he get his merit pay?

Mr. Boukouris: No.

Mr. Chairman: If we could move on to the next item. A matter that seemed to get a great deal of public attention was the court cases in regard to the suspension from duty of six employees and the charges of breaches of trust. There was some criticism that it wound up costing the taxpayers well over \$1 million for the court case. The employees, if I recall correctly, were found not guilty. Is that correct?

Mr. Blair: Two were found guilty of uttering and one other was found guilty of receiving benefits.

Mr. Chairman: What action did the board take in regard to these people?

Mr. Blair: As you likely know and the members of the committee know, they were suspended at the time they were taken into custody. After the court case they went to the Crown Employees' Grievance Settlement Board. That board ordered them to be reinstated with full pay from the day they were suspended.

There were several retirements--people who were almost of normal retirement age and retired. The two who were convicted of uttering were not fined, were they? They were given a suspended sentence. This is all before I came on the scene. The one who was convicted and pleaded guilty at the outset for receiving benefits was fined. He was in his early 60s, so he took an early retirement and got out.

Mr. Chairman: Did they retire with their full pension benefits?

Mr. Boukouris: They retained benefits related to their service. In other words, they retired and they had a pension benefit. That comes not from the board but from the superannuation fund. But they get whatever pension they have earned based on their years of service. So it would be the same pension as though they had retired for any purpose, because they have earned credits, they have contributed to the fund and they get whatever is in the fund on their behalf.

10:55 a.m.

Mr. Blair: I mentioned the person who retired just lately was 62. He will not be getting the same benefits as if he retired at 65.

Mr. Kolyn: How long were their years of service?

Mr. Blair: His service was 12 years and eight months with us.

Mr. Boukouris: They range up to 26.

Mr. Kolyn: Twenty-six years of service.

Mr. Chairman: I have Mr. Cousens on the list but I would like to ask another question. The grievance board, or was it the--

Mr. Blair: Grievance settlement board. The order was that they be reinstated with full pay.

Mr. Chairman: Even though they were convicted? What did they base that judgement on?

Mr. Blair: We did not see the judgement. It is not up to me to give reasons for them doing that. I know it was quite a shock to a lot of people. Incidentally, those settlements have not been made yet, which is another festering sore I have to deal with.

Mr. Chairman: It almost seems like crime does pay, does it not?

Mr. Blair: Well, I guess there is evidence for that, but I am not here to condone or criticize it, other than I am faced with the realities of life and have to deal with it. They have put in claims for lawyers' fees and a few other things as well as their back pay--back pay with interest, incidentally. This is a matter of negotiation between the two individual solicitors and the solicitor acting on behalf of the board.

Mr. Chairman: Even though they were convicted? They have a saying in Atikokan like that and I will paraphrase it: "That certainly takes guts."

Mr. Blair: They were convicted of uttering and serious as it may be in the eyes of the law it is of considerably lesser importance than being--

Mr. Chairman: They were also in a position of public trust.

Mr. Cunningham: What was the estimate, Mr. Chairman, of the cost of the legal fight on that?

Hon. Mr. Walker: I have no estimate but I will tell you this, that the person who made the comment--a minister now--is having pipe dreams and smoking something he should not be. It is just ludicrous.

The OPP did the investigation, which lasted about a year. They would have had to have something like 50 police personnel on the thing for 12 solid months around the clock in order to build up \$1 million.

Mr. Sargent: So it cost \$2 million.

Hon. Mr. Walker: We are talking about a handful of inspectors in the Ottawa area who were investigated and a half a dozen charges laid, some of them very serious. In some cases they have pleaded guilty and in some cases they were found guilty. That is the kind of situation we just do not spend \$1 million on. That was some union representative who made the comment at the time of the grievance settlement board hearing, either at the very moment it was about to issue its report, or shortly after.

Mr. Cunningham: So the figure with the investigation and the prosecution ultimately might have been half of that?

Hon. Mr. Walker: I did not say that.

Mr. Sargent: With 50 policemen?

Hon. Mr. Walker: If someone suggested to me it cost a quarter of that I would be overwhelmed in the degree to which the amount had been inflated. I would not even think it would approach anything near the figures this guy threw out.

Mr. Blair: Well, Mr. Chairman, if we are talking about the expense to the taxpayers, I think we have to segregate that which was incurred by the OPP in their investigation--I have no idea what those figures are--and those that were incurred by the board for solicitors' fees with Mr. Bynoe and Mr. Riggs, you see. Their fees, as far as the going rate for lawyers is concerned, was not excessive. One person was paid eight and the other 14.

Mr. Chairman: Mr. Blair, I realize that this may be an unfair question, but it seems to me that if I was in your position and I ran into a similar situation--

Mr. Blair: You would not have taken the job in the first place.

Mr. Chairman: Fifty-three thousand seven hundred is not bad. I think I was out that day Dr. Stewart called me, as a matter of fact.

Mr. Blair: I will give him your number.

Mr. Chairman: Would you do that? But it seems to me that these actions by the grievance board must frustrate you and other people in your position. What is the point of putting everybody through this operation if they are going to come up winners at the end anyway? It just seems to make a mockery of the law.

11 a.m.

Mr. Blair: It is for another forum and another jurisdiction to deal with the awards that are given by boards such as this. But as you say, it is frustrating.

Another thought occurred to me, and this is in no way to justify the court's ruling. Some of these inspectors were charged with offences other than uttering and were acquitted of the other ones. It was just the uttering that Mr. Dempsey and Mr. Knudson were convicted of.

Mr. Chairman: We had a similar case through the Attorney General's office where an employee was convicted of an offence of falsifying drivers' licences and convictions and the same thing happened. The person was reinstated and so on and it does not seem to me that is setting much of an example for other people. If you know you can get away with these things it may be worth taking a chance.

Hon. Mr. Walker: I think what you are saying is you are criticizing the grievance settlement board's decision and some of us take some heart in having heard you say that.

Mr. Chairman: I might tell you, Mr. Minister, that we are going to be dealing with the Civil Service Commission again in the fall, and I think that this will be one of the items that we will be dealing with specifically. Because this is not obviously, an isolated case. I am sure Dr. Shulman might even want to appear.

Anything else on this item? I am sorry, Mr. Cousens, yes.

Mr. Cousens: Mr. Cunningham had a chance but I was not recognized. I want a supplementary to your question.

Is there no way in which your board can appeal such a grievance procedure? Is there no other mechanism? And if there is, are you planning to do something about it?

In the interests of the public will, when people on a board such as yours have reason to disagree with the judgement that is made through a grievance board, in the past where I have been on such boards I have taken pleasure in taking it to the nth degree and fighting it on a matter of principle. I would like to know if there is any way in which you can do that?

I have another question which is my main question, Mr. Chairman.

Hon. Mr. Walker: The only thing you can do is appeal in law. In this particular case there was an appeal made to the divisional court and lost.

Mr. Philips: There has to be a technical (inaudible).

Hon. Mr. Walker: It has to be a legal appeal. It has to be aired in law.

Mr. Chairman: You cannot argue the judgement, in other words.

Hon. Mr. Walker: Not with success before the courts.

Mr. Cousens: I am glad to hear that answer, and that is something I had not heard and that pleases me.

The other part that generally concerns me about the board of which you are a chairman, Mr. Blair, is that if there is any board under the jurisdiction of the province that could be appealing to those who want to make inducements, it would be the kinds of services that are provided through the type of activity your board has.

To that extent, I would like to ask a couple of questions. Number one, do you have an internal auditor or a way of checking to make sure there are no forms of inducement being made--they can be made, but accepted--by people who are in positions to provide favours or benefits? Now I realize the auditor has been in a position to check that from outside, but within--

Mr. Blair: You want to know what internal monitoring we have?

Mr. Cousens: What internal monitoring do you have?

Mr. Boukouris: We do have, within the inspection branch, a group of special investigators. We normally have an internal audit which is provided to us by the LCBO. We have Mr. Scott's organization. But in cases of the kind you are talking about, that normal audit would not be useful. In other words, there is nothing in our records to indicate that something had happened.

What we do is this. When we have reason to be suspicious--and what we do is in a normal way, for example, with the car fleet--as part of our audit process, we would be going through the man's daily diaries and his activity sheets where he lists what he has done at various establishments.

If there is some reason that we are not happy--and that does happen on occasion--I will ask one of our investigators--who are not inspectors or in the inspection branch--to vet his activities.

We have actually kept some under surveillance. I have been at the board four years and in that time we have, in effect, forced two resignations based on our studies. The sort of thing you can look for is if somebody goes repeatedly to the same establishment for no obvious reason; for example, there is no regular inspection involved; he is making repeated visits to a place that the record in the file indicates is not a problem establishment. We then may get curious.

Of the two men whose resignations were forced, one we got interested in through a complaint from the public, and the other was one we picked up in our own routine. Those two men were gone and I would say they are the same kind of charges as with the men who were suspended and later were restored; we have been more successful ourselves than when it gets into the court system.

Mr. Cousens: If I can stay on this just for a moment; is the information that is collected through your own internal inspection available to the provincial auditor when he is doing his check?

Mr. Boukouris: Yes, they appear in the file. In fact, in one of the cases where they were dismissed, that was one of the files that they looked at. They would be part of that individual's personnel record; and those records are kept confidential from the other staff but the auditor has access to any of our records.

Mr. Blair: I would just like to add that from time to time an inspector's territory is changed. It is not too difficult to do that in a large urban area. It would be different up in northern Ontario where there is less density. Those areas are changed in order to preclude any special favours being given by any one licensee or accepted by our people.

Mr. Cousens: Thank you very much.

Mr. Philip: Mr. Blair, the chairman of the Ontario Highway Transport Board circulates on a regular basis a section of the Criminal Code dealing with conflict of interest, and pointing out to staff the seriousness of this. I gather this policy arose after the inquiry into the activities that were alleged to have taken place under the previous chairman.

Do you have any program like this, of regularly reminding employees about the seriousness of a breach?

Mr. Blair: Yes, Mr. Boukouris has just handed me a letter which was also on the file before. This letter is dated December 14, 1979, which of course came on the heels of the arrests and so on. This spells it out; what not to do, I suppose, more than what they are to do.

Mr. Philip: And does that also list the penalties which--you can get a five-year jail term--

Mr. Blair: Yes. Do you want to look at this?

Mr. Philip: I would appreciate it. That document might be worth--

Mr. Boukouris: It was distributed to all the existing staff at the time; and every new hiree gets one and initials it and that goes into the personnel file to indicate that he has seen it.

Mr. Philip: The guidelines certainly seem comprehensive from a quick look at it. I have not had a chance to read it all, but it might be interesting for the members of the committee to have a copy of this.

Mr. Chairman: Could you table a copy of that?

Mr. Blair: Yes.

Mr. Philip: The other question--and since I don't have that in front of me now, it is harder to ask the question; the Interstate Commerce Commission and various American bodies have some very strict rules that involve not only the acceptance of any kind of favours, but also the way in which a person in a quasi-judicial state position may even socialize with those people that he may be passing judgements on.

Do you have any such rules and guidelines concerning social intercourse between people in a judgemental type of position and those people that they are in fact judging?

Mr. Blair: You are thinking about the inspectors in this case?

Mr. Philip: Yes, inspectors and on up, including the chairman.

Mr. Blair: We do not have that--at least, I am not aware of any--on this fraternization.

Mr. Boukouris: Those rules relate to transactions, in a sense; in other words, the reception and giving of hospitality and whatever, but they do not address themselves to fraternization. I would think that would be extremely difficult in smaller communities.

In a place like Toronto, maybe it would be easy. In northern Ontario, the districts are large, the inspector may be there for many years; they are part of the community. I would not want to be in a position of telling an inspector that he had to be socially isolated.

11:10 a.m.

I think the only way we can reasonably deal with it is under this kind of guideline. A continuing tension is always going to exist in that kind of situation in a small town where somebody is in an enforcement area. Anybody who is in an enforcement area would probably have that kind of difficulty. It is probably exacerbated by people who are enforcing the hospitality industry. But we try to cover it with these guidelines.

Mr. Philip: What about the higher position, or in fact the highest position, which the chairman is? Are there any guidelines or roles concerning--

Mr. Blair: I am not aware of any; I am just using common sense.

Mr. Chairman: There is one, Mr. Philip, that is in the response that employees are required to pay for their own food and drink when they are in an establishment, as far as that goes.

Mr. Philip: There are certain American quasi-judicial bodies, though, that will, for example, have rules that if you are going to socialize, there must be a record of that, and that the chairman has to have a report of any such social activities between those people they may be dealing with in a judgemental capacity; and it is discouraged.

I am wondering whether you feel that perhaps that might be appropriate in your position or in the type of quasi-judicial body you are heading.

Mr. Blair: I suppose in theory that one could not disagree with it; but in practical life--for instance, the second week I was there, I was a guest at the Ontario Hotel and Motel Association convention; a head table guest. I guess they wanted to look at the new boy and see if he had horns or a tail or whatever; but I was a guest and I did not think that was improper.

Is that the type of thing you are thinking about?

Mr. Chairman: I think Mr. Philip is getting at whether you would go fishing on a long weekend as the guest of the owner of the Zanzibar Tavern or something like that.

Mr. Blair: You may have no fear about that as far as I

am concerned, and my record through my political life at the Ontario Municipal Board shows that.

Mr. Philip: What I am getting at is that--

Mr. Blair: I appreciate your point.

Mr. Chairman: I know a lot of Tories hang out there.

Mr. Philip: --if you do go to such a function, then that there be a record of it and that the purpose of it be stated, so that at any time that anyone has any questions, you are there in a business capacity and not in a social capacity.

The other question relates to what happens to employees who leave the board, and it has been suggested by me and perhaps by someone else in the Legislature, that we should be looking at that problem.

Indeed in the American system, under certain quasi-judicial bodies, there is a time limit during which you may not enter the employ of someone or of some organization on which you have been passing judgement. It can range from six months on up, and I find six months to be a little short, to say the least.

I am wondering, do you have any such guidelines or--

Mr. Blair: I am not personally aware of them. Mr. Boukouris is not aware of those either.

Mr. Philip: So conceivably you could leave, then, as chairman of this board and become the vice-president of the Zanzibar Tavern or of the Holiday Inn.

Mr. Blair: I would like to know more about this Zanzibar. It sounds rather interesting.

Mr. Chairman: I have no stock in it, though.

Mr. Blair: I suppose a person could.

Mr. Philip: Do you feel that it is in the interests of the public not to have such guidelines, since the Americans have found it to their advantage?

Perhaps it is unfair to ask you that question. It is a question that the minister should answer.

Mr. Chairman: I think we are straying a little, Mr. Philip, with respect.

Mr. Philip: With deep respect, Mr. Chairman, I do not think that we are straying. We are dealing with the matter of conflict of interest, as in this report, and I am simply trying to get a policy statement out of the minister so that we can view it in the light of what should be policy.

Mr. Chairman: I appreciate that, but you used the wrong

words. This committee does not deal with policy. This committee deals primarily with financial administration and while I would not argue conflict of interest may be intertwined, I really think that is a question either for the minister's estimates or for the House.

Mr. Philip: The financial administration deals with the policy of the ministry vis-à-vis this quasi-judicial body, and that was what my question was on.

Mr. Chairman: I am sure the minister will take it as notice.

Mr. Philip: I would like the minister to answer, with great respect, Mr. Chairman.

Hon. Mr. Walker: You have not asked me the question; you had the chairman answering.

That is not the policy of the government at the moment, whether or not it is in the future something for cabinet to decide.

Mr. Chairman: I could have saved you all that, because I knew that was going to be the answer.

Mr. Philip: I had a suspicion it would be the answer, but I at least wanted to give him an opportunity to fudge it rather than have you fudge it for him, Mr. Chairman.

Mr. Sargent: Mr. Chairman, I do not think that the chair should tell us what kind of questions we can ask, because this is the only chance--

Mr. Chairman: Then we do not need a chairman, Mr. Sargent, obviously.

Mr. Sargent: I agree with Ed Philip that policy is pretty important here. Before I ask my question I want to deal on policy for a moment, in view of the fact that the minister is here.

The thing is that policy so far as the--the Talisman had a vote up there and the people voted 338 to 10 against a liquor licence. On top of that, the government gave Labatt's brewery a licence to put up a hotel.

Did the government tell you to license that hotel? It is breaking all the rules in the book. Did they tell you to license that hotel?

Hon. Mr. Walker: If there is a party who wants a licence, they apply in the normal way--

Mr. Sargent: The people voted against it; they turned it down--the plebiscite. On top of that they gave them a \$3 million road, they opened up Labatt's brewery--which is against the law, they opened up this hotel, the Talisman. It was before your time, but it is a matter of policy that the government can tell you what to do.

Mr. Chairman: We are straying a little bit.

Mr. Sargent: Give me a chance to get a shot at these guys.

Mr. Chairman: Mr. Sargent, you will have a shot at these guys through the minister's estimates where those kinds of questions are to be asked.

Mr. Sargent: Mr. Chairman, I would like to say that in the chair you ask more questions than anybody on the whole committee. I have a few questions I would like to find out about here and that is why I am asking them.

Mr. Chairman: I would direct you, Mr. Sargent, if you would try to stick within the relatively flexible guidelines of the auditor's report on the financial administration and the matters raised--

Mr. Sargent: It is most important to talk about things we want to, that is what we are here for.

Mr. Chairman: That is not what we are here for. We are here to deal with the financial administration and the matters raised in the auditor's report.

Mr. Philip: Whatever he said, I agree with him.

Mr. Sargent: On page 70 it says at the inspectors' seminar they had a party for 19 people and they drank at the rate of \$34 per person--inspectors. In the hotel business you know that the average person consumes \$5 or \$6 worth of booze a night, we find that is our average in the hotel.

The average person spends \$5 or \$6 a night to drink booze or whatever, and your inspectors are drinking \$34 each in one night. What kind of a party was that?

Hon. Mr. Walker: Very simply, it was a dumb party and it was a dumb expense.

Mr. Sargent: These are the fellows who go around closing up hotels, cancelling a guy's licence, and they go into a party and they drink \$34 worth of booze each and they are the guys who are saying a guy cannot operate his hotel?

It is important to a lot of people because the hotel business is in bad shape; a lot of them are going to close up. It could be me too. We have a good inspector; he does not bother me at all.

Mr. Blair: I think the inspector has been around to see you. I have some correspondence before me regarding your place.

Mr. Sargent: I know, he is doing his job. Let me ask you this: I have been in this business now all my life, in politics. I have been here since 1963. Never once, Mr. Blair, have I given a guy a job in a liquor store--got any job for an inspector or a liquor store employee in all these years. I could not do that.

So I would say your 81 inspectors are all top Tories; all the guys who work in your LCBO stores are Tory appointments.

Interjections.

Mr. Sargent: It is totally true.

Mr. Blair: Have you made recommendations for the Owen Sound area, for Grey North?

11:20 a.m.

Mr. Sargent: If my name is on the application they throw it in the wastepaper basket.

Mr. Blair: It will not be as far as I am concerned. If there is a vacancy in Owen Sound or Grey North there will be a number of applicants, because there as many applicants for a liquor inspector job as there is for the Senate. If there is a vacancy in your area and you recommend somebody, your nominee will get as much consideration as anybody else.

Mr. Sargent: For the first time in 20 years it is going to happen, is it?

Mr. Blair: I cannot guarantee it. If there is a vacancy there, if you are supporting a person and you let us know about it, we will do our best to see that that person is given a chance to be appointed.

Mr. Sargent: I would not trust you guys at all.

Mr. Blair: If there are four or five people applying for the job I think you would agree, as a public servant, that the person most qualified should be the one who gets it, no matter what his politics are.

Mr. Sargent: That is not the case.

Mr. Yakabuski: I would say he is doing a terrific job.

Mr. Sargent: I know his record, he is a good guy, but I think the whole damned thing stinks over the years, I will tell you that.

Mr. Yakabuski: I think you opened up a very good point, that of inspectors, because you have both kinds. You have the kind you have who is working with the hotel keeper trying to keep you in business--and there are a lot of those around the province--but there is the odd one, too, who is not working like he or she should be with the little hotel keepers in the small towns in Ontario and are really harassing them rather than working with them.

I must say that by and large your inspectors are, like the ones who serve Mr. Sargent, terrific, but you still have further weeding out to do so you have all your inspectors out there working with the little hotel keepers, or big ones, whatever,

instead of working against them and trying to put them out of business, as the member from Owen Sound said a little while ago.

Mr. Chairman: Are you finished, Mr. Sargent?

Mr. Sargent: I have one more point. The hotel licence now isn't worth the paper it is written on; it is a bunch of junk. Every small honky-tonk place can get a licence and the proliferation of licences could ruin the hotel business.

Mr. Blair: I just signed a letter before I came up here today, turning down an application in your city.

Mr. Sargent: I am not supporting that. In principle you have ruined the hotel business by the issuance of licences.

Mr. Blair: The proliferation of them you are referring to.

Mr. Sargent: The proliferation. Don't you agree?

Mr. Blair: I think so. I could not disagree.

Hon. Mr. Walker: Had you supported it, it might not have been turned down.

Mr. Yakabuski: You mean you did not support your constituents?

Mr. Chairman: Mr. Sargent, you have won two out of two so far.

Mr. Sargent: You go to hell.

Mr. Chairman: Can we move on then to the item dealing with medical certificates and does anyone, including Mr. Sargent, have any questions on that?

Maybe Mr. Blair or Mr. Boukouris could tell us: you say you have tightened up this practice of the medical certificates. Can you give us some specifics? We had a situation in another ministry where somebody was off for six months and nobody knew about it.

Mr. Boukouris: We are small enough not to have situations like that. I think the issue in this case was complicated because in effect they were off already. We have some instructions here and maybe I could table these.

Mr. Chairman: Could you expand on that? They were suspended?

Mr. Boukouris: Yes, in other words, the employees we are talking about were those employees who were already suspended and that being the case, they would not be filing the monthly attendance records we normally would get. What happened was that one of them was already ill when he was suspended; he was actually arrested from his sick bed, he had had open heart surgery, so we were well aware of his circumstances already.

There were six inspectors involved at first; we knew already that two were ill. The others subsequently, some time after they had been suspended, sent in medical certificates from physicians. We had in the meantime been to our solicitors to inquire as to whether or not suspended employees would have a right to the benefit package. The legal opinion we got was that they did.

So, presented with the medical certificates, we felt that as they had a right, as we had been told by our lawyers, to the benefit package, we paid them sick days. What happened subsequently was that the police took all the personnel records, including these files, so their personnel files were empty.

Mr. Peterson: (Inaudible)

Mr. Boukouris: Yes, which is where the medical certificates or any of the personnel records would be; in the personnel file.

Mr. Peterson: In their own personal files.

Mr. Boukouris: Which is kept in our office.

Mr. Peterson: They came into your office and took them?

Mr. Boukouris: That is right. The police did, yes. So we were at some disadvantage from our normal record keeping.

What happened was these certificates had expired. When it was pointed out to us, we wrote back to the physicians and subsequently they were given to the auditor. But our normal practice is this. After the fifth day, we have a form called a Q-11 which goes to the employee and he is told to take it to his physician, who is to indicate his medical condition.

It goes from there to the doctor who serves--we have a medical centre for the liquor control and the liquor licence boards--and it goes back to him, because medical information is generally considered a private matter.

We have never gone behind a medical certificate. In other words, if a physician writes and says a man is sick, we assume he is sick.

Mr. Peterson: What degree of sickness?

Mr. Boukouris: We have a thing that says--

Mr. Peterson: Sometimes when I get up I feel sick too.

Mr. Boukouris: If your physician were to write to us on this form and say you were not fit to work, we assume that is the case. He will put a diagnosis on it, if he will, to our physician and maybe there is some reason to go behind that. But the personnel manager is not well placed to question whether whatever the ailment complained of is in fact disabling. I think you can appreciate that point.

Mr. Peterson: Were these physical or mental ailments?

Mr. Boukouris: Physical. One of them had a history of heart condition anyway, and the other one was also the same. We had another one of the same.

Mr. Peterson: In other words, it was not stress-related with the arrest.

Mr. Boukouris: I assume that a heart condition is certainly going to be exacerbated by such a thing. I have a degree from Johns Hopkins but not in medicine. I would not be myself in a position to take any opinion other than what the doctor told me.

We have generally--we send out the forms. We have some problem, which I think is not unique to government or to the licence board, in that physicians are generally reluctant to serve as truant officers for industry. So you often have a situation where you send out the form and it does not come back. We are then at quite a disadvantage. In the normal way with a normal working employee, we can vet better than we could in this case.

What in actual fact happened is in the end the men were restored by the grievance settlement board to work, so we would have paid the money anyway. What we have paid to them as sick benefits will simply be reduced from the amount of compensation that we will have to pay to them now.

Our general practice is that all the department heads have a supply of these medical forms. On the fifth day that the employee is not at work, it goes to him and he is told he cannot come back to work without it.

We have an indication that we gain from the form, but the form has to be filled in by the doctor and sent to ours. If the system breaks down there, we cannot compel the family physician, or whoever, to write to our doctor. If he does and says the man is ill, we have not gone behind it to determine whether or not he is as sick as his physician says. I do not really think that I could.

In the case of these employees, it was particularly difficult. But our general practice is we have written to everybody. All the supervisory personnel have these forms and they are instructed, after five days, that is it.

A lot of employees have earned only a limited amount of sick pay, so then they would be off without pay anyway. So there is some limitation as to what our financial exposure would be.

But policing it is something--if you are dependent upon a physician, as we are in these cases, we do not have a handle on the physician. Our experience is that physicians are reluctant, and on occasions where we have tried to follow up ourselves, we will get one and he indicates that he will assess the patient again at some date. Very often you will phone the physician's office and you will get a very brusque reply if you try to follow it up, because physicians are not inclined to be truant officers for us.

We do the best we can, in the sense that our exposures

limited because they have a limited number of sick days granted in a year. The other thing is that we do get these medical certificates after five days.

11:30 a.m.

Mr. Chairman: Is there anything further on this?

Just one point of clarification. You felt, Mr. Boukouris, that you do not have the legal right to go behind the medical certificate. It was indicated to us by the civil service commission or MTC--I forget which--last year that there are times when doctors issue these certificates fairly liberally. Would you say you felt it was your advice that you did not have the legal right to question these medical certificates?

Mr. Boukouris: That is right. We have discussed it before. The form here, if you want it as evidence, does have some specific diagnostic information questions at the bottom. That goes to our physician. Sometimes, when we are concerned about an employee, we will inquire of our physician what his opinion is. But that bottom part is confidential between the two doctors. Patient information of that nature is something that lay people generally cannot handle.

We have, on occasion, gone to him. The situation really arises with long-term illnesses where the employee took the long-term insurance plan, or in a case where we are caught short where an employee is away a long time, we want to know if we are going to have to replace him, or just what we are to do. So we do make an effort.

The form is very comprehensive. What sometimes happens is we will send such a form to the employee and ask him to tell the doctor to fill it in. But what we will get back is something scribbled on the doctor's notepad. It is difficult then to follow up. I cannot really make the doctor fill in the document.

Mr. Chairman: But management has the right to request a medical at the expense, in this case, of--

Mr. Boukouris: We do. Normally when the employee comes back from what appears to be a serious illness after a lengthy period of time, he is re-examined by our doctor. But that is the protection for us for a couple of reasons. If we put him back to work and he is not fit, we may be exposed to some civil action. The other thing is we will sometimes get an employee who wants to come back on so-called light duties. Who knows what that is? Generally speaking, the job has to be done and he can either do it or not.

We have had occasions when an employee will come back and our physician's advice to us is he should be sent home. We have done that too. You can have this form if you wish.

Mr. Chairman: Yes. I think we will. Anything further on this item?

Can we move on then to the item dealing with the people who were charged? I gather some of these people have offices in their homes where, presumably, they write their reports and keep their own files as well. You say, with hindsight, perhaps you should probably remove the offices.

Mr. Boukouris: At the time this happened, I was transferred from my present job. At the time this report was written, I was the director of inspections but I had an interest in it both in my former position and the one I have now. The real problem was that we did not anticipate the thing would drag on. We never knew from one month to the next whether we would have the employees back.

There was a suspicion that the grievance settlement board was going to come down with an award such as it did. I do not think anyone at the board suspected that these charges would drag on for years. We had never had this kind of experience before.

We assumed, when they were charged in April, that in the spring assizes Ottawa would look after it. When they did not, it was held over until September. The dates were changing four and five weeks at a time. We never knew when the thing would go to trial or whether it would, or whether they would be acquitted. If we had known it was going to go on for years, we would have taken the stuff out to start with.

Mr. Peterson: Who owns the desk?

Mr. Boukouris: We own the furniture.

Mr. Sargent: How much furniture?

Mr. Boukouris: He gets a desk, a manual typewriter, a chair and a filing cabinet.

Mr. Sargent: Do you pay him rent?

Mr. Boukouris: Yes, \$45 a month under the present contract. At this time it was \$40.

Mr. Sargent: What do you pay them in salaries now?

Mr. Boukouris: They range from \$18,000 to \$23,000, depending on where they are in the seniority scale. That is negotiated. They are union members and it is negotiated as part of the collective agreement.

Mr. Sargent: So the average man or policeman or anybody else makes more than an inspector?

Mr. Bourkouris: Very much so.

Mr. Peterson: You are saying the office expense is a negotiated part of the contract.

Mr. Boukouris: Yes, if it is in the contract.

Mr. Peterson: So you hire a guy, you have a moving van deliver a desk to his house?

Mr. Boukouris: That is right. When he is replaced that will go to someone else in the area.

Mr. Peterson: When he leaves, you send a moving van in and move his desk?

Mr. Boukouris: It would not be a van. Sometime we use our own vehicle and sometimes the liquor control board's if they have a van in the area. Many of these people are in isolated areas. It has been generally felt that it is pretty cheap rent.

They are available 24 hours a day. They do the paperwork in their homes, they work at odd hours and they are very scattered. This arrangement is one that has gone on for a long time and it is part of the collective agreement.

When we have been in a position, as we were in Ottawa, to have a centralized office, we had to run out and rent a space. We found it was far more expensive to do business that way. And we had less access to the licensee than we did in the system at hand. In a sense we were forced to have a 14-month experiment with the regional offices. It was expensive.

We do not provide them with any clerical help. They do their own typing and whatever. It is relatively efficient and their salaries are not terribly high. The whole package means that with the office allowance and whatever mileage he might get with his car, they average about \$25,000 per inspector. That is our total cost. It is not terribly high given the salary rates these days.

Mr. Chairman: Is it the CUPE you deal with?

Mr. Boukouris: No, it is a separate union. The two liquor boards are corporations that have a separate union--the Ontario Liquor Board's Employees Union. They are a part of the Canadian Labour Congress.

Mr. Sargent: Do they get a bonus for laying charges?

Mr. Boukouris: No, it is a straight salary. They get overtime only in certain circumstances. The contract with the hours are--

Mr. Sargent: Well, they only run at midnight and six o'clock in the morning--

Mr. Boukouris: That is right. They do not get paid for doing that. They get paid on the basis of a 40-hour week. There is then a provision for overtime over 40 hours, but they are not on a schedule. The contract provides office employees and certain store employees for pay on an overtime basis after certain hours, for example, after 4:30 in the case of office staff. But our men are not paid on that basis. They work so many hours a week.

Mr. Sargent: They do most of their work at night?

Mr. Boukouris: That is what I am saying. There is a separate section--

Mr. Sargent: What do they get net then? What do they get paid for overtime?

Mr. Boukouris: They get time and a half overtime over 40 hours.

Mr. Sargent: They are making maybe \$40,000 a year then?

Mr. Boukouris: No, actually they are not. Because they normally will work, say, 40 to 45 hours. The provision is that when they work on weekends, for example on holidays, they get time off in lieu of overtime.

Mr. Sargent: Eighteen thousand dollars to \$22,000 is not viable when they are working overtime, because they do most of their work at night.

Mr. Boukouris: But they do not get paid overtime at night. They get paid overtime over 40 hours a week, whether the 40 hours is from midnight until four in the morning, or from noon to four in the afternoon, it does not matter. In other words, it is 40 hours whenever the hours are worked.

Mr. Sargent: If a guy wants to work 60 hours a week, he can then?

Mr. Boukouris: No, because we will not let them work overtime without written authorization.

Mr. Sargent: What do you mean?

Mr. Boukouris: He has to have his supervisor's permission to work overtime. In the normal way, for the overtime, he will be given time off in lieu of pay. There is a provision in the contract for that.

Liquor licence inspectors who perform authorized work under this section 5(2), which is the hours of work section: "shall take lieu days in payment of such overtime worked, providing work demands of the inspectors are such to permit the board to grant such lieu days no later than the day of the month next following the month in which the overtime occurred. Where this is not the case, inspectors shall be paid overtime rates in accordance with section 5(6) which is time and a half with double time on Sundays."

What in effect happens is this. The word "authorized" means that he cannot just put in a timesheet and say, "Well I worked 60 hours this week." He will have to go to his supervisor and get his permission to work in excess of the 40 hours.

Mr. Sargent: You do not believe that, do you?

Mr. Boukouris: They are directed to work overtime on certain occasions. Almost all of them do. They get lieu days instead of money.

Mr. Sargent: Who would give him direction if he knows he has about 50 calls in one night in say a 120-mile area?

Mr. Boukouris: The fact that it is at night does not trigger the overtime. He has to work more than 40 hours. It does not matter what hour of the day the 40 hours are worked.

Mr. Sargent: He could work on his farm during the day and then work at night?

Mr. Boukouris: That is right.

Mr. Sargent: Oh, he has two jobs?

Mr. Boukouris: Well, I do not know if we have any farmers. The fact is that it is 40 hours a week that they are paid for.

Mr. Sargent: These guys do all their work at night.

Mr. Boukouris: We want them to. I do not want the man in--

Mr. Sargent: They do not work in the daytime then?

11:40 a.m.

Mr. Chairman: They do not start at eight, and charge eight hours from eight to four, and then charge overtime from six to one o'clock in the morning.

Mr. Boukouris: There is nothing happening at the Zanzibar Tavern at eight o'clock this morning, as far as I know. So the nature of our business is such that they have to work at peculiar hours. That is why this contract--

Mr. Sargent: As long as he works 40 hours a week, he is okay then.

Mr. Boukouris: If he has his supervisor's okay. But in the normal way he will then earn, not money, but additional time off. It is only if we cannot give him the time off within the following month that I have to pay. And then it is cash; and it is paid on the basis of time and a half on weekdays, or double time if it is a Sunday, and triple time if it is a statutory holiday. But we avoid as far as possible paying cash.

Mr. Sargent: Can you furnish this committee a list of the salaries paid to the 81 inspectors? The total revenue of everyone? The individual total salaries of each individual inspector? I would like to see that.

Mr. Boukouris: Yes.

Mr. Chairman: And the overtime costs? Can you give us a ball park figure for the overtime costs as well?

Mr. Boukouris: We paid last year about \$20,000 for the

entire inspection task for the entire year. It was \$19,000 and something.

Mr. Sargent: It was \$20,000 to 81 inspectors?

Mr. Boukouris: To 107 inspectors; and I made an overtime settlement of under \$20,000 in cash.

Mr. Blair: Mr. Sargent, what period do you want?

Mr. Sargent: A calendar year.

Hon. Mr. Walker: I think a fiscal year might be better.

Mr. Chairman: The fiscal year, whatever is easier.

Mr. Boukouris: I think a calendar year because they are taxed on a calendar basis so the salary-- In other words a T-4 slip amounts in effect for 1980.

Hon. Mr. Walker: If they were over \$25,000 I believe they would be listed in the public accounts.

Mr. Chairman: It is \$30,000 now. So many civil servants are making that kind of money.

Mr. Peterson: Who is the lawyer you hired at \$100 an hour?

Mr. Blair: Mr. Bynoe, and Mr. Riggs of the Hicks Morley law firm acted for us.

Mr. Peterson: I know the names. You had two lawyers, not one lawyer? It says here you had one. And these lawyers sat here at \$100 an hour as your staff was interviewed? Page 71.

Mr. Blair: Is it more information you want, or are you questioning the rate?

Mr. Peterson: No, I am just asking questions generally speaking. It just offends the hell out of me you are paying these guys \$100 an hour to sit around while your staff is being interviewed. Is that what they do?

Mr. Blair: That was Mr. Bynoe. His total bill we paid I think was \$5,000. We just authorized the payment of that.

Mr. Peterson: Whose decision was it to hire him--hire a lawyer, I do not care about him?

Mr. Blair: A decision of the board. I was not involved. This was before my time.

Mr. Peterson: I know, but did they go to the minister and say, "Hey, Mr. Minister, we are in trouble on this and we need a lawyer"?

Mr. Blair: I think there was some discussion as I was trying to get to the bottom of this whole business.

Mr. Peterson: Some discussion, with whom? About what?

Mr. Blair: I think my predecessor had discussions with someone, either Mr. Drea or someone in his department, before that decision was made.

Mr. Peterson: So there was about 50 hours' worth of interviews with your staff, is that right?

Mr. Blair: That is what it indicates here. The whole bill that we paid to Mr. Bynoe was approved at the last board meeting. I did not realize this was coming up, I should have I guess. It was \$6,900 was it not? He had not been paid anything.

Mr. Peterson: It says that as of December 31, 1979, he got \$5,000. I guess there was another \$1,900 subsequent to that.

What I am questioning the propriety of is you spending good taxpayers' money hiring an outside counsel to sit with--just so I am characterizing this properly--your head office staff, not the people who were charged but your administrative staff, to assist them in answering questions. Am I right?

Mr. Blair: That's what it appears to be.

Mr. Peterson: These people were not under oath at the time. This is not a legal inquiry in an official sense; it is just an interview with the police, right?

Mr. Boukouris: I think at the time the full board met and agreed and decided to hire an individual. They got him themselves. But I think it was felt that the people did have a right to have counsel present when they were interviewed by the police. That was the basic decision.

Mr. Peterson: Why?

Mr. Kolyn: Either that or provide them with legal aid.

Mr. Boukouris: And when the men were subpoenaed--and a large number of our staff were subpoenaed--they were interviewed then by the crown attorney and then they went into court and they had counsel in court.

Mr. Peterson: Subpoenaed to the trial.

Mr. Boukouris: To the trial and to the preliminary hearing.

Mr. Peterson: What were you paying the lawyer for? To represent these people in court?

Mr. Boukouris: I suppose to advise them as to what their rights were, as to whether they should be answering the questions or--

Mr. Peterson: Presumably a civil service obligation is to tell the truth, particularly to another civil servant who is a

policeman investigating another civil servant. Presumably that is their basic obligation.

Mr. Boukouris: I assume so, yes. I do not think there was any question to advise them not to--

Mr. Peterson: What the hell do you need lawyers for to tell you that?

Hon. Mr. Walker: Having a lawyer present does not preclude the telling of the truth.

Mr. Peterson: Do you need a lawyer to tell you to tell the truth? I find this extremely offensive, that you would have to hire a lawyer at the kind of money--now it's \$6,900--

Hon. Mr. Walker: My guess is, Mr. Peterson, if you were being interrogated by a policeman, you might choose to have a lawyer present yourself.

Mr. Peterson: There is just no way; not if I am a civil servant, not if I am acting in a trustee capacity with taxpayers' funds. What possible thing could they protect them from?

Mr. MacQuarrie: Mr. Chairman, the explanation for Mr. Peterson's question is at the bottom of page 72.

Mr. Peterson: I am not very satisfied with it.

Hon. Mr. Walker: "The decision to retain counsel to advise the board arose out of the board's concern that the allegations concerning the conduct of some of its employees might involve it in matters with licencees and they wished to be properly advised by counsel experienced in litigation.

"The board advises that they were not aware of the requirement that such counsel should have been retained through or in consultation with the Ministry of the Attorney General. Now that this procedure has been drawn to their attention, we are sure that any subsequent retention of counsel will comply with these requirements." That is the quote from the ministry's response.

Mr. Peterson: I have read the ministry responses to a number of things in public accounts and the point is they are, in many cases, political responses, trying to minimize whatever mistakes were made after the fact. That is a reality; that is what we face daily; and I understand that. What we are looking at--

Hon. Mr. Walker: Are you saying they were false?

Mr. Peterson: I am saying that I am not very happy with another answer that was provided by your ministry--obviously it was before you came there--about certain arrangements being cleaned up after the fact. Frequently, the explanations that come out after the fact are not the same ones that are used at the time that the decision was made, as I am telling you. That is my experience here. I think it is an outrageous waste of taxpayers' money.

Now, we have dealt with the whole question of outside

counsel before and I will not bore you with it. But the basic view of this committee is that you should be employing in-house counsel.

But another more serious point here is protecting civil servants from, presumably, just telling what the police ask them; arbitrating between three groups of civil servants: the accused, the people who presumably have the information and the police who are interviewing them.

Hon. Mr. Walker: Are you criticizing the fact that it was the board's decision to retain counsel because of its concern for allegations concerning the conduct of some of its employees?

Mr. Peterson: Absolutely I am questioning that concept. Yes, I am very much criticizing that and I am also criticizing the way you did it. I am criticizing both.

11:50 a.m.

Mr. Blair: The rationalization, if that is what you want to call what I am about to give, is from hearsay, I suppose. If you take the scenario of the Ontario Provincial Police coming in in the middle of the night, taking files on certain individuals away with them, having the liquor licence board staff's lines tapped--as was the case with many of them--and then be confronted by the OPP or their representatives in an interview, surely that scenario must indicate that they were frightened to death.

Mr. Peterson: Who are we talking about now? The accused?

Interjection.

Mr. Blair: No, not before. This is during the investigation.

Mr. Peterson: They subsequently became the accused.

Mr. Blair: Yes.

Mr. Boukouris: No, these were interviews with the staff who were not charged at all. My understanding is that the counsel was hired by the board to advise it and its employees who were not charged. In other words, those who were charged and were subject to investigation had to provide their own.

Mr. Peterson: These were subject to the investigation? Or they were providing information for the investigation against the other people who became subsequently accused?

Mr. Boukouris: That's right; that's my understanding.

Mr. Peterson: That's exactly my point; in other words, civil servants who had information that bore on the conduct of other civil servants.

It is like one of your people being charged and you are in charge of administration and you hire a lawyer at public expense to tell you what you can or cannot say in terms of facts you can produce to the OPP. Presumably you are the steward of a great deal

of information about people who work for you. It is not inconceivable that you presumably were questioned about the whole matter.

Mr. Boukouris: I was, with a great many others.

Mr. Peterson: Okay. And you had a lawyer sitting there as you were being questioned?

Mr. Boukouris: At the time I was questioned he had not been hired. But, subsequently, when I was subpoenaed, yes, he advised me as to--

Mr. Peterson: Subpoenaed to what? The trial?

Mr. Boukouris: Yes, and also I had some lengthy discussions with the crown attorney and Mr. Bynoe was present then and with other employees subsequently.

Mr. Peterson: So what kind of advice was Mr. Bynoe giving you?

Mr. Boukouris: There were certain questions that he suggested maybe were not germane to the matter at hand. There were other situations that arose that I can recall where, unbeknownst to us, when we were being interviewed the police were wearing body packs. So there were transcripts of conversations; and then months later you would be told that you had said certain things and it turned out just suggestions as to what the conversations were--

Mr. Peterson: Are you suggesting the police were gathering illegal evidence from you?

Mr. Boukouris: I am not suggesting any such thing. I don't know whether it was legal or illegal; I am not a legal person. But it was under those kinds of circumstances that Mr. Bynoe was acting. But he was hired by the board and he was present during some of the time that I had conversations with the police.

Mr. Peterson: I find this really quite extraordinary; that, presumably, when a minister-- Now, you are wearing a multiplicity of hats here, Mr. Walker; as Provincial Secretary for Justice presumably you are interested that we see justice done. One branch of the ministry is hiring people to protect them from the other branch of the ministry.

Hon. Mr. Walker: Are you suggesting that justice was not done there? Are you suggesting that the people do not have the right to consult counsel?

Mr. Peterson: I am suggesting that the taxpayers have no bloody obligation to pay for lawyers in order to protect a civil servant from other civil servants.

Hon. Mr. Walker: It is better to make that allegation--

Mr. Peterson: That's what I said.

Hon. Mr. Walker: --than to suggest that there is any

impropriety in respect of a lawyer being engaged to advise these people.

Mr. Peterson: I am saying it was an outrageous waste of taxpayers' money.

Hon. Mr. Walker: That is an opinion you are entitled to have.

Mr. Peterson: He had to justify it in his own mind and you have not justified it to me. I do not know who you are trying to protect here.

Hon. Mr. Walker: Let's stop using some of these provocative words. Don't tell me I am trying to protect somebody. I am not trying to protect anybody--

Mr. Peterson: Who was the board trying to protect?

Hon. Mr. Walker: --and I am not trying to cast aspersions on anybody--

Mr. Peterson: Who is the board trying to protect?

Hon. Mr. Walker: --so please don't impute anything to me that is improper. I am not trying to protect somebody.

Mr. Peterson: Who was the board trying to protect?

Hon. Mr. Walker: Are you making an allegation that the board is protecting somebody?

Mr. Peterson: I mean, they hired a lawyer--

Hon. Mr. Walker: What can you possibly say that is going to protect it?

Mr. Peterson: --lawyers are presumably are hired--

Hon. Mr. Walker: When everything is made public here, how you can possibly say that somebody is trying to protect something?

Mr. Peterson: Why were lawyers hired then?k

Mr. Sargent: Why was he reinstated then?

Hon. Mr. Walker: He was reinstated because the grievance settlement board made the decision.

Mr. Sargent: But he was convicted for 18 counts of uttering--

Mr. Chairman: Excuse me. I have Mr. Cousens next on the list.

Mr. Cousens: I take some exception to Mr. Peterson's comments and the judgement that is being passed, because if the employer does not have full protection for employees, either in

business, in government, or any place, then I think you are failing to live up to a commitment that you have to them to give them proper legal counsel.

If your questioning is saying that you should not provide that kind of service to employees, either as a businessman or as a government or board head, I think you should be fair and honest to your employees. I do not see any bad intent to what has been done here at all, unless you see something behind it that is not being brought forward.

Mr. Cunningham: Your government has got a great double standard. Ask about the Nakina fire situation, you really should.

Mr. Cousens: I have made my point. I do not see where the questioning is leading us to.

Mr. Peterson: I see civil servants protected by lawyers--but it does not extend to certain other investigations that go on. The OPP, which are civil servants, are investigating another group of civil servants, and then you have another group of that branch hiring lawyers to protect certain people who are supposed to be providing information, presumably at the investigative stage. I think it is a bloody waste of the taxpayers' money.

Mr. Kolyn: I just happen to think that if I was being investigated by the police I would like to have legal counsel with me at any time.

Mr. Peterson: So would I.

Mr. Kolyn: All right. So we are just providing it for him.

Mr. Peterson: So you pay for it.

Mr. Chairman: We obviously have a difference of opinion, gentlemen. Is there anything further on this?

Mr. Sargent: Yes. The grievance settlement board of Ontario said that this guy, Knudson, was convicted in May 1980 of 18 counts of uttering forged inspection and daily work reports. Is he now working for you?

Mr. Blair: Yes.

Mr. Sargent: Where?

Mr. Blair: In Ottawa.

Mr. Sargent: Have you appealed that decision?

Mr. Blair: Apparently there was one appealed and--

Mr. Sargent: The court says this guy is a crook. You have him working for you in a responsible position and you have not appealed that.

Mr. Blair: There was an appeal made on the Knudson case and we lost.

Mr. Sargent: Did you appeal the decision of the grievance settlement board? You have done that.

Mr. Blair: We lost.

Mr. Peterson: Appeal to the court.

Mr. Sargent: Why don't you fire the guy?

Mr. Blair: On what grounds?

Mr. Sargent: Regardless of what the hell the court says, if the guy is a crook, I would not have him work for me.

Mr. Blair: If you have some suggestions on how to fire people, we would be interested in having them.

Mr. Boukouris: But we did fire him.

Mr. Sargent: How do you know he is not doing the same thing again?

Mr. Boukouris: His firing was the issue that was before the grievance settlement board.

Mr. Chairman: The Court of Appeal found on March 4 that he should be reinstated.

Mr. Blair: That is right.

Mr. Boukouris: Reinstated as of March 7.

Mr. Blair: And we did.

Mr. Sargent: Who is on the grievance settlement board? Are they all Tories too?

Interjection: They are all Liberals.

Mr. Sargent: They cannot be.

Mr. Chairman: Mr. Sargent, we are going to deal with the grievance board in the fall. I do not think these gentlemen are any more comfortable with the situation than members of the committee.

Hon. Mr. Walker: The grievance settlement board, in this particular case, is composed of--I think they were recommendations from (inaudible)

Interjection: From labour people.

Hon. Mr. Walker: I think they were recommendations from the member for Grey-Bruce. Professor J. W. Samuels, who is the--

Mr. Sargent: On a point of privilege. Say that again. What did you say?

Hon. Mr. Walker: I was mumbling to myself.

Mr. Sargent: Withdraw the remark.

Hon. Mr. Walker: What I was saying here was that there was Professor J. W. Samuels, who was vice-chairman of the grievance settlement board, and he is a university law professor, if I am correct.

David, is he not at Western? I think he in your constituency, at Western.

And there was Ms. B. Lanigan, member, and Ms. M. Perrin, member.

Mr. Chairman: Could we have a copy of that?

Mr. Yakabuski: The ladies are well represented.

Mr. Chairman: Is that their ruling there, Mr. Walker?

Hon. Mr. Walker: Yes.

Mr. Chairman: We do not need it today, but if you could send us a copy of it.

Hon. Mr. Walker: The chairman will see that a copy is forwarded to you.

Mr. Chairman: Right. Thank you very much. Anything further on any of these items, gentlemen? Mr. Blair, do you have a--

Mr. Blair: There were two grievance settlement board decisions and maybe we should include both.

Mr. Chairman: Right, if you would.

Mr. Blair: Do you want us to submit them to you, Mr. Chairman?

Mr. Chairman: Yes. That would be fine.

Mr. Blair: We will do that.

Mr. Chairman: Thank you very much

Mr. Blair: It is the same with the salaries that Mr. Sargent asked for.

12 noon

Mr. Chairman: Yes, thank you.

Thank you very much, Mr. Minister, Mr. Blair and Mr. Boukouris. It has been an interesting morning.

Gentlemen, we have two other items to deal with and they will only take a moment. The auditor is going to table the report of the Urban Transportation Development Corporation today which we will deal with next week.

While these are being distributed, I would like to point out that we started about 15 minutes late, as unfortunately we always do. I would appreciate it if you could be here at 10 o'clock. It is embarrassing and disrespectful to have people we asked to come before us sitting waiting for members of the committee to show up.

Also, I would like to point out that in my opinion--and it is only a personal opinion--we spent an hour and three quarters on these matters and we strayed on a number of occasions; and we could have completed our business in about an hour if members would take the time to read the auditor's report and the information provided.

You have the auditor's report on the UTDC. It is something that I hope you will read for next week. We will deal with this matter next week.

You also have a copy of the proposed agenda for the fall. We have agreed to two items. We have others suggested by members. Is there anything that you wish to add, or could I have a motion that these matters be accepted, and we will set up a timetable when we know when we are returning in the fall.

Mr. Peterson: Did you mention something about the grievance arbitration board?

Mr. Chairman: We will be dealing with the Civil Service Commission which we have already agreed to; performance appraisal, absenteeism, et cetera, and we will add in there the grievance arbitration board.

Mr. Peterson: I think that bears on a lot of things we do around here.

Mr. Chairman: It certainly does.

Mr. Peterson: I think it is a good point, even if there is nothing specific on them. You are talking about just a general--

Mr. Chairman: I think we can deal with two particular cases: the one we heard this morning, and the other is the situation dealing with the person in the Attorney General's office who was convicted of falsifying records and then was reinstated. And I have that. The Deputy Attorney General sent me a copy of that after our meeting last year.

Mr. Peterson: The problem on that is so often it is the arbitrators who make the decision. So often these are individual arbitrator's decisions and they are never going to come before this committee for us to understand why they do what they do. I am just presenting a problem as I see it. You are the chairman, you think of a solution.

Mr. Chairman: We will have to figure out how we are going to get at it. Could we have a motion before everybody leaves to accept this?

Mr. J. A. Taylor moves the committee accept the proposed fall agenda.

Mr. Cousens: Mr. Chairman, I want to speak to it. I am looking at, as a suggested subject, the economies and data processing. There is far more to do before I can even suggest it as a topic. So when you outline, suggested by members, all I am prepared to accept right now are the two top points, and the other ones, let us discuss those further.

Because I know, for instance, from my own point of view, I want to do some more research before I take the whole time of the committee. And likewise with the other ones; I am sure we want to do a little bit more.

The UTDC thing, we are not going to put that on the agenda right now until we have gone through and had a discussion on what the auditor has just presented. So are you suggesting that we are to take the whole sheet of items for the fall agenda as listed? Or just those already agreed to by the committee?

Mr. Chairman: All of them, and for this reason, Mr. Cousens. If we are going to proceed with these matters, we may find, for instance, on economies and electronic data processing, hopefully some work will be done over the summer to get some material and information together. We may find that there is not sufficient material to deal with it, but I do not want to have the auditor or the staff charging off in all directions and then when we come back in the fall have the committee say, "Well we are not really interested in that." These things are flexible.

Mr. Cousens: If it does not become flexible-- We have just been handed the UTDC document and we are going to look at it next week and now, even before we have discussed it, you are saying we are going to put it on the fall agenda. It may not need to be, so why make the decision now if we are going to look at it next week?

So therefore I move that we defer this decision until next week and then we can have a chance to look at the whole thing in greater detail.

Mr. Chairman: Are you talking about--

Mr. Cousens: I am talking about the motion that is on the floor. It has been duly moved that the agenda be those items. I am not prepared to say that they should be the items.

Mr. Chairman: We have a motion. You have made your point. We can adjourn the debate until next week, if you like, or we can approve it now.

Mr. Taylor, is that agreeable?

Mr. J. A. Taylor: I am agreeable if we have a consensus of the committee. We are not ordering priority here.

Mr. Chairman: All right, we will adjourn it to next week.

No new business?

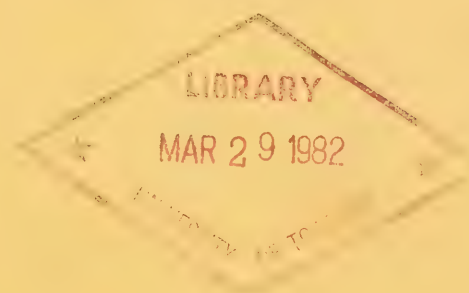
The committee adjourned at 12:06 p.m..

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STANDING COMMITTEE ON PUBLIC ACCOUNTS

AUDITOR'S REPORT RE:
CENTRAL COLLECTION SERVICES ACTIVITY,
MINISTRY OF GOVERNMENT SERVICES;
WINTARIO GRANTS, MINISTRY OF CULTURE AND RECREATION

THURSDAY, JUNE 18, 1981



STANDING COMMITTEE ON PUBLIC ACCOUNTS

CHAIRMAN: Reid, T. P. (Rainy River L-Lab.)
VICE-CHAIRMAN: Peterson, D. R. (London Centre L)
Cousens, D. (York Centre PC)
Cunningham, E. G. (Wentworth North L)
Foulds, J. F. (Port Arthur NDP)
Philip, E. T. (Etobicoke NDP)
Pollock, J. (Hastings-Peterborough PC)
Sargent, E. C. (Grey-Bruce L)
Scrivener, M. (St. David PC)
Taylor, J. A. (Prince Edward-Lennox PC)
Villeneuve, O. F. (Stormont, Dundas and Glengarry PC)
Yakabuski, P. J. (Renfrew South PC)

Also taking part:

Kolyn, A. (Lakeshore PC)

Clerk: White, G.

Researcher: Fletcher, M.

From the Ministry of Culture and Recreation:

Cornell, W., Deputy Minister

Noon, M., Director, Grants Administration Branch

Webber, B. F., Executive Director, Finance and Administration
Division

From the Ministry of Government Services:

Cardwell, R. A., Manager, Central Collection Services

Thatcher, J. C., Deputy Minister

From the Office of the Provincial Auditor:

Scott, F. N., Provincial Auditor

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday, June 18, 1981

The committee met at 10:07 a.m. in room No. 151.

AUDITOR'S REPORT RE:
CENTRAL COLLECTION SERVICES ACTIVITY,
MINISTRY OF GOVERNMENT SERVICES;
WINTARIO GRANTS, MINISTRY OF CULTURE AND RECREATION

Mr. Chairman: Gentlemen, we will come to order. We have three matters to deal with on the agenda apart from the business of the committee. I would like to begin. We are dealing this morning, first of all, with the Ministry of Government Services on matters related to performance measurement and efficiency of the central collection agency.

We have Mr. John Thatcher, the Deputy Minister of Government Services with us, and Mr. R. Cardwell, manager, central collection services. Mr. Thatcher and gentlemen, if you would like to take a position at the end. Mr. Thatcher, would you please tell us who else you have with you?

Mr. Thatcher: In addition to Mr. Cardwell, I have Mr. Joseph Silver, the executive director of administration, who is largely responsible for financial matters within the ministry. With your indulgence, Mr. Chairman, I would like him to sit with us this morning.

Mr. Chairman: Certainly.

Gentlemen, this is item 2.9 in the auditor's report, page 39. I believe you have some briefing material. Anyone who does not have it with them, we might have some spare copies. Do you have any opening comments, Mr. Thatcher, or any of your personnel with you?

Mr. Thatcher: I think I would prefer if we could deal with the points raised by the auditor in sequence through the report as they come up. Then, perhaps, if there are any general questions at the end of this, I would be happy to deal with general questions on the operation of the collection services.

Mr. J. A. Taylor: I am wondering if I just might ask the auditor a question. It is reminiscent of almost a half a dozen years ago or so. It has been at least that, I suppose, since I have served on a public accounts committee and I seem to recollect, at least that many years ago, similar observations.

Is this so, or is my perception in error? My perception may very well be in error because of the interlude. Could you comment on whether this has been a continuing problem?

Mr. Scott: Mr. Chairman, in response to Mr. Taylor, I would not like to say it is a continuing problem. The central

collection agency was dealt with in, I believe, about 1979 before this committee. I think our concern here in section 2.9 deals with the performance measurements undertaken under our new authority and mandate under the 1977 Audit Act, which allows us to look into the economy efficiency and also what measures are being taken to measure the effectiveness of a program. That is basically what we are dealing with here, the measurement of the effectiveness of the program.

Mr. J. A. Taylor: Which is the central collection agency, is that correct? What you are saying is that that agency did not exist more than, what, how many years?

Mr. Scott: I cannot give you an exact date. The deputy minister probably could tell you more accurately than I could, but I would say at least 10 to 12 years.

Mr. J. A. Taylor: That we have had the central collection agency?

Mr. Scott: That is correct.

Mr. J. A. Taylor: When I say problem, I am looking more, I suppose, at results, rather than maybe the type of thing that you are looking at. I am thinking in terms of moneys that are out there waiting to be collected and the effectiveness of the collecting or money gathering mechanism, whatever that might be. It just strikes me that this committee, over a number of years, has questioned the effectiveness, for one reason or another, of the mechanism. I am just wondering if that is pertinent at all to our current discussions.

Mr. Scott: Mr. Chairman, in reply to Mr. Taylor, I think your concerns probably rest with the miscellaneous statement appearing in the public accounts in which \$15.3 million of accounts receivable were deleted from the accounts of the province in the year 1979-80. I think that answers your question, Mr. Taylor.

Mr. Sargent: What areas are these in?

Mr. Scott: They are all enumerated in the public accounts, Mr. Sargent, in accordance with each ministry that has applied for writeoff under the Financial Administration Act.

Mr. J. A. Taylor: Yes, I think that does address my concern.

Mr. Sargent: In other words, people are just as slow in paying their bills to the province as the province is in paying their bills. The Ontario government has a hell of a record of paying their bills. They are very slow in paying their accounts.

Mr. J. A. Taylor: But they usually pay.

Mr. Chairman: I do not think that is the point. The point is that \$15 million has been written off. Perhaps since that matter has been raised, Mr. Thatcher, you could address yourself to that amount that has been written off.

Presumably those were accounts that your agency could not collect. Is that fair to say? Can you give us some reason why there should be \$15 million of taxpayers money that was not collected? Perhaps while you are doing that you could give us a quick sketch of the background of the process by which decisions are arrived at to write these off rather than to trying to collect or pursuing these accounts?

Mr. Thatcher: The \$15 million is a figure that does not apply to this particular service. Although there have been some writeoffs, I do not believe it is anywhere close to \$15 million in collection services. Perhaps the auditor could confirm that.

Mr. Scott: The miscellaneous statement appearing in the public accounts for 1979-80 gives a total of \$15.3 million, broken down by the various ministries, all of which, in fairness to Mr. Thatcher, is transferred to his ministry for collection. For example, the Ministry of Revenue looks after its own collections of accounts receivable in unpaid taxes. The Ministry of the Attorney General looks after its own collection in regard to fines. That amounts to \$1.8 million. Community and Social Services looks after a considerable number of its social payments that are overpaid, which is close to \$1 million that has been written off. So quite a portion of that \$15 million is not referred to the central collection agency of the Ministry of Government Services.

Mr. Chairman: Mr. Thatcher, would it be fair to say that other than those outlined by the auditor, the rest would wind up in your shop, for want of a better term?

Mr. Thatcher: In the collection process, a number of accounts will remain uncollected after our best efforts. Those accounts will be written off. The extent to which we are able to achieve collections and minimize those amounts is really one of the measures by which we gauge the success of the operation.

Mr. Sargent: Sorry, I apologize; I did not hear your answers for the shortfall of \$15 million. Are you going to get it, or not?

Mr. Thatcher: I am not looking for it, Mr. Sargent. It is not a claim that is being made by the Ministry of Government Services. It is not an amount that is being written off by the Ministry of Government Services.

Mr. Sargent: Jimmy, you were a cabinet minister for a number of years. How would you get this money?

Mr. J. A. Taylor: I am not on trial here today, Eddie. Seriously, I am not prepared to make any recommendations as to collection techniques at the moment. It might be precipitate of me to suggest changes and maybe even cheeky of me to suggest changes at the moment.

Mr. Thatcher: It might help if I were to give you a figure. In the last fiscal year in this particular program, there was \$739,035.75 uncollected out of a gross figure of \$6.3 million.

Mr. Yakabuski: Could you run through those figures again?

Mr. Thatcher: Out of a gross amount of \$6.3 million, the amount that was uncollectable was \$739,000.

Mr. Yakabuski: That is over 10 per cent.

Mrs. Scrivener: These were, in effect, debts that were writeoffs when you got them, so you have had a considerable success with them.

Mr. Thatcher: We would think that the success rate is pretty good considering that when we got them, the ministry that they were owed to had been unsuccessful in collecting them.

10:20 a.m.

Mr. Chairman: What kinds of categories do these fall into? Are they fines? Are they licence moneys? Student loans?

Mr. Thatcher: Student awards is one of the substantial categories; graduate fellowships, health bursaries, student aid loans, Natural Resources, guaranteed loans, Ontario student loans, part-time loans, Ontario housing loans, family benefits, and a miscellaneous category.

Mr. Chairman: When you cannot collect them--presumably they keep ignoring you--do you take any of these to court?

Mr. Thatcher: Yes, we do.

Mr. Chairman: I guess what I am getting at is why are they not ultimately collected? Is it because people are bankrupt, they have disappeared, or the case has been thrown out of court?

Mr. Thatcher: A number of reasons of that nature. If we are convinced that a judgement will not lead to collection of the account, we may not even proceed by legal means. If we get a legal judgement, it does not necessarily follow that we will be able to collect because the person may have essentially no assets.

For instance, many of the students essentially have no assets at all.

Mr. Chairman: They have dropped out of school and are unemployed, or not making enough to repay the loan.

Mrs. Scrivener: It is the same with family benefits.

Mr. Yakabuski: Yes, but what about those who do not drop out? Aren't there those who go ahead to law and have a practice and those who are in medicine who have a very lucrative practice, and somewhere along the line they have not repaid a student loan or a bursary? You mentioned bursary, I think.

Mr. Thatcher: Yes, I do not think we have too many in that category.

Mr. Yakabuski: But don't you have some?

Mr. Cardwell: We probably do. The people who do not or will not pay are not in any specific class.

Mr. Thatcher: The only ones I can think of are those who may have moved to other jurisdictions where, although they have assets, our judgement is not applicable in the jurisdiction in which they are residing.

Mr. Yakabuski: I read something not too long ago where what was happening in some of the maritime provinces with student loans, et cetera, was absolutely appalling, where these people were going on to professions, having lucrative practices--whether it be medicine, law or whatever; and yet a hell of a pile of these moneys were uncollectable. I think this is absolutely disgraceful.

For instance, we gave the members of the College of Physicians and Surgeons an additional 14 per cent this year. None of them are starving. There is none in those professions who is having it rough. If they are, it is by their own doing.

Mr. J. A. Taylor: Nobody starves in Ontario.

Mr. Yakabuski: I don't think even one should be acceptable. There should not be one bad account in those fields.

Mr. Sargent: But if you are a good Tory, you don't have to pay.

Mr. Yakabuski: No, it is the Liberals who are getting away. That is why I am so livid about this.

Mr. Chairman: To focus a little closer if we may; of the \$700,000 that was written off by your agency, how much of that was student loans or whatever? Do you have those figures for us?

Mr. J. A. Taylor: Is that OSAP? They call that the Ontario stereo assistance program.

Mr. Thatcher: Mr. Cardwell tells me that the approximate figure is about 40 per cent. We have not brought details today. I could write to you, Mr. Chairman, and give you the breakdown of that.

Mr. Chairman: Forty per cent is?

Mr. Thatcher: Student loans.

Mr. Sargent: Of what amount? In Colleges and Universities you have \$2.6 million. You say about \$1 million of that is NV.

Mr. Thatcher: I understood the chairman's question was what proportion of the \$700,000-odd dollars uncollected applied to student loans. I told him about 40 per cent of that.

Mr. Sargent: Of the total package of \$15 million, \$4.3

million is Consumer and Commercial Relations. What is the breakdown on that? What is it for?

Mr. Thatcher: We do not really handle that ministry's accounts.

Mr. Sargent: Who does?

Mr. Thatcher: They do it directly.

Mr. Sargent: They are not doing a very good job, are they?

Mr. Thatcher: That is not--

Mr. Sargent: That is the biggest amount. That is a quarter of all the accounts here.

Mr. Thatcher: We are aware, and it may well be that the amount in question is the motor vehicle accident claims.

Mr. Sargent: I see.

Mr. Thatcher: We know that there is a large amount in that ministry and I would think that is probably what it is. It is a very difficult account.

Mr. Sargent: Have you not got the offsetting premiums to back that up?

Mr. Thatcher: I do not run the program, Mr. Sargent.

Mr. Sargent: I see.

Mr. Chairman: I recall our going through this in 1979 and the question was then and is now that you do, at some point, with some accounts, turn them over to private collection agencies, which then of course charge you a fee. I forget what it is. Perhaps you can indicate what it is.

Could you tell us--that is an unfair question at this stage. Can you tell us at what stage these are turned over to private collection agencies, and how much more successful they have been in collecting these moneys than the government collection agency has been?

Mr. Thatcher: Yes. We have commenced the practice of using private collection agencies which charge us 25 per cent of the amount collected and, of course, if they do not collect, there is no fee. So, they are reimbursed with this 25 per cent of what they collect.

We are continuing to use our own staff, as well as using outside companies. We have four outside companies we are currently using. The collections go to those companies not necessarily as a last resort, but rather as a way of spreading the work load within our operation. We also, in addition to the normal collection process, as I mentioned earlier, are using our legal branch to

obtain judgements where those appear to be the appropriate means of completing the collections.

Mr. Sargent: How many staff do you have in central collection services?

Mr. Thatcher: We have six collection officers and a support staff of five; a total of 11.

Mr. Sargent: They are not even paying their own way then, are they?

Mr. Thatcher: We think they are.

Mr. Sargent: By using private collection agencies on top of that. What did you pay in commissions last year to the collection agencies?

Mr. J. A. Taylor: Do they go through your staff before they go to the collection agency?

Mr. Thatcher: This is for the last fiscal year. Our combined expenditures for the year were \$498,000. The amounts that we collected were approximately \$2.6 million, with a ratio of \$5.3 collected for every one dollar spent.

Mr. Yakabuski: That is not bad, Ed. The bad ones are the real duds before they get them.

10:30 a.m.

Mr. Kolyn: Why would we not have more of an agency, more staff collectors?

Mr. Thatcher: We think there are appropriate numbers of staff to deal with the work loads that we have. We are quite pleased with the split between our expenditures and our collections so far with the ratio of staff and outside agencies. From our point of view, in operating the program, what we have now is about right.

Mr. Yakabuski: Isn't that 25 per cent pretty standard in any trade for collections that a merchant, for instance, gives up on? He only hands duds over to, let us say, the Canadian retail merchants' association, or somebody. He only throws the duds at them. I think their fee is approximately 25 per cent. This is pretty standard across the board.

Mr. Thatcher: Yes, I believe it is, Mr. Yakabuski.

Mr. Cousens: Mr. Chairman, supplemental to that. In your statistics, does that include the collection of grants for students, that have just been over the 30 days, which you have gone into, and which the auditor refers to in his report as putting your statistics out of whack? If you are including those in your statistics to give you that good number, then your statistics are not all that good and the auditor has already said that in his report.

Mr. Thatcher: Perhaps, Mr. Chairman, I will have Mr. Cardwell answer that question. He has a little more detail on it.

Mr. Cardwell: Yes. The accounts coming to us from student awards, or by far the greatest proportion, do come to us after the prescribed three-month period. After the auditor's report I ran a check myself and found that was the case in almost 90 per cent of all the accounts we received from them. There is only approximately a 10 per cent figure, if even that, that come to us in less than that three-month period.

Mr. Sargent: You were going after \$15 million; you raised \$400,000 yourself, right?

Mr. Thatcher: No. I do not understand that.

Mr. Sargent: Did you not say your staff of six--oh. So your staff raised \$2 million. I am sorry. Six and a half--6.6 people raised \$2 million.

Mr. Thatcher: Yes.

Mr. Sargent: Okay. After \$15 million, how much do the private collection agencies raise?

Mr. Chairman: Mr. Sargent, I point out to you again that the figure of \$15 million does not relate to this agency.

Mr. Sargent: I am sorry.

Mr. Chairman: If you look at your public accounts, it is broken down by ministries. Some of the ministries collect the funds through their own collection agency.

Mr. Sargent: What is your net then? What are you after?

Mr. Thatcher: I will ask Mr. Cardwell to answer that question, Mr. Chairman.

Mr. Cardwell: Following the chairman's comments, the \$15.3 million, as he pointed out, does not refer to us. Our inventory is less than half of that. At the end of the fiscal year of 1980-81, the inventory closed at \$6.3 million.

Mr. Chairman: Six point three million.

Mr. Sargent: Could you find out what ministries they are then? What ministries are those?

Mr. Cardwell: We are receiving programs from most ministries. There are a few exceptions. Some programs, particularly the Ministry of Revenue, we are not allowed to accept. There are one or two others, Consumer and Commercial Relations, for example, that we do not get, largely because of volume, size and inability to handle; things of that type. But of the total \$15.3 million referred to, only \$6.3 million actually passes through our hands. The balance remains with the other ministries.

Mr. Sargent: All right. So what you are trying to collect is \$6.3 million, and you have collected a third of that now.

Mr. Cardwell: Two point six million dollars of that; one third.

Mr. Sargent: How much of that does the private sector collect?

Mr. Cardwell: Of that \$2.6 million, my own people collected \$2 million and the private agencies collected \$350,000.

Mr. Sargent: Three hundred and fifty thousand.

Mr. Cardwell: Our ratio was 7.5 to one collection dollars and theirs is four to one.

Mr. Sargent: What is going to happen to the rest of the money, Pat?

Mr. Chairman: Presumably it is going to be written off.

Mr. Cardwell: If we do not receive them, we cannot work on them.

Mr. Sargent: Is that \$9 million going to disappear or what is going to happen to it? You are after \$6 million and it is \$15 million we are looking at. What has happened to the other \$9 million?

Mr. Thatcher: The other \$9 million is in the hands of other ministries, Mr. Sargent.

Mr. Sargent: What ministry?

Mr. Thatcher: Various ministries.

Mr. Sargent: Do you know how they are going after it?

Mr. Thatcher: No, I do not.

Mr. Chairman: That is not our concern. At the moment, Mr. Sargent, we are dealing with Government Services' collection agency.

I just wonder in regard to your comment, Mr. Cardwell, about your ratio being better than the private collection services. Presumably you have given them all the dogs after you have not been able to collect them yourselves.

Mr. Cardwell: There is a survey of private collection agencies.

Mr. Chairman: I am sorry, gentlemen, you will have to speak up because the acoustics are not the best in this room.

Mr. Cardwell: Outside collection agencies base their

rates of success in collection on the percentage of placements that they get. The private agencies surveyed last year produced 38 per cent of their debt placement as collections. That applies not to government accounts but to every type of account that they receive. My own area produces 46.5 per cent of the placements with us.

Mr. Chairman: You mention at some point, or the ministry does, that future performance will be dependent upon automation. Can you tell us what you mean exactly by that and what analysis you have done to indicate that that might be an improvement?

Mr. Cardwell: Primarily we are looking at the fact that as a manual operation there are a large number of very time-consuming repetitive chores which could be done much faster by automation. We are looking at a stand-alone system and we have presently evaluated quite a number. We have determined precisely what requirements we need, what type of reporting we need, the input requirements we need; and we are hoping to obtain approval to move to this type of a system very shortly.

Mr. J. A. Taylor: Do you understand that?

Mr. Chairman: Do you?

Mr. J. A. Taylor: No.

Mr. Chairman: Mr. Taylor and I are somewhat confused by your answer.

Mr. Cardwell: I am sorry. I think what I was trying to say was that as a manual system we have a tremendous amount of recording of data, such as the receipt of payments, the recording of payments, the balancing of accounts, submitting reports and things of this type. With approximately 8,000 odd accounts this is a very time consuming business. If we were to computerize this type of recording we would be able speed up the operation very much and allow ourselves greater room to handle even more business without increasing the complement of staff needed.

Mr. J. A. Taylor: These are situations where you have instalments to be made on account of an outstanding debt. Is that principally it?

Mr. Cardwell: I am sorry, I did not hear your question.

Mr. J. A. Taylor: I said what you are speaking of, as I understand it now, is that there is a bookkeeping service that is done by hand that you want to do by machine because you have outstanding debts that are being repaid on the instalment plan.

Mr. Cardwell: Yes.

Mr. J. A. Taylor: Could I ask you whether you know or have any influence over the timing of the receipt of bad debts from ministries of government? There are a lot of bad debts out there and you do not know who has fiddled with them first before you may get them for collection. Am I correct in that?

Mr. Cardwell: I would say I have no influence over that. The placement of accounts with us depends entirely upon the client ministry. That may in turn depend on certain seasonal aspects or on other factors that I am not aware of.

10:40 a.m.

Mr. J. A. Taylor: What you are saying is that each ministry decides on its own account if and when it turns over an account to your agency for collection; is that correct?

Mr. Cardwell: That would be correct. I assume that they are following the Treasury policies, though.

Mr. J. A. Taylor: Have you any record as to the ageing of those accounts, and if you do, what is the variation in terms of the various ministries? For example, there may be a reluctance on the part of the Ministry of Community and Social Services to hound someone too early for repayment of a debt. Maybe they have the same situation in Education, for all I know, and maybe even more so in the rural and the agricultural community through the Ministry of Agriculture and Food.

Do you have any perspective on, vis-à-vis the various ministries, at what age in the process these bad debts come to you for collection?

Mr. Cardwell: I am afraid I do not have data with me to support any comment. Many of the accounts that we receive are reasonably current. Quite a number, though, are considerably aged. To come up with a sensible answer, I really would have to produce figures for you.

Mr. J. A. Taylor: Do you have any idea of the collection mechanisms of the various ministries? Do they vary? Do they have solicitors who may try to effect a collection prior to those accounts coming to you? Are there any variations in the ministries?

Mr. Cardwell: I know that there are variations but I am not familiar with them. Obviously Revenue, for example, would probably have a much more sophisticated collection system than perhaps some other ministries that do not incur the same type of debts, but precisely what their systems are I do not know.

Mr. J. A. Taylor: When these accounts come to you for collection, do you have a group of people who review those accounts and then farm them out to either your own staff or outside collection agencies?

Mr. Cardwell: When we receive accounts we handle them ourselves. We only pass over to private collection agencies after we have made our own effort--unless there is a very specific reason, possibly a request from the client ministry that there may be some peculiarity about the account, or we may see ourselves such things, and we would then transfer the account immediately to the legal branch. Other than that, we work on all accounts ourselves first, and only when our efforts fail do we transfer them to private collection agencies.

Mr. J. A. Taylor: Who decides whether or not you take legal proceedings on your own?

Mr. Cardwell: Normally we will send an account over where circumstances dictate for a number of reasons; possibly refusal to pay, possibly various other things, bankruptcy pending, there may be many reasons. We will send them to the legal branch and it is the legal branch's opinion that counts as far as whether legal action should be taken. I am not a lawyer so I am not qualified to make such judgements.

Mr. Peterson: Could I have a supplementary on that? One thing I am concerned about is how many ministries do their own collections.

Mr. Cardwell: I am afraid I cannot give you a precise answer. I would estimate approximately six.

Mr. Peterson: Presumably your function is to centralize the collection function of government. Some ministries use your services, some do not, so they have units comparable to yours.

Mr. Cardwell: I am afraid I really do not know what units they have. I would suspect that in my cases their debts are merely pursued by accounts departments.

Mr. Peterson: But there is someone doing that function; somebody is being paid, whether he has a title or not, and is doing that function. If we are going to centralize it, why do we not centralize the whole thing?

We almost have three lines of operations here, and I see duplications that I am not sure are that worth while. Let me describe them. The first one is the ministry, although that ministry may decide to contract that function out to you, but six, according to you, do their own. But they can still lay those off on you if they get into trouble, right?

Mr. Cardwell: Correct. I think you have to really refer to the Treasury policy which stipulates reasonably accurately those ministries which are exempted from transferring accounts to central collections. I believe it also states that the ministries should transfer accounts to us after a period of 90 days and at least three efforts. But it does not specifically say that they must.

Mr. Peterson: My problem is-- Let me just repeat myself and maybe we have to approach it from a different point of view. The ministry takes the first shot at it, at least one of the six. In some cases you take first shot at it and in some cases the ministry does.

Mr. Cardwell: No. In all cases the ministry should take first shot at it themselves for a period of 90 days.

Mr. Peterson: Some of them retain those after 90 days and some of them do not. Some of them shunt them off on to you. Then you deal with it for a period of time and if you cannot deal

with it, in your discretion, you put some of them out to a private collection agency. So you have three goes at the chap.

Mr. Cardwell: That is correct.

Mr. Peterson: It offends my sense of organization to have all these--

Mr. Chairman: It's a long supplementary, isn't it?

Mr. Peterson: It is along Jim's line, though. It is the kind of thing that--

Mr. J. A. Taylor: What I was getting at was whether or not anyone really had a handle on this, an overview, just what in effect the deliberate procedure was over government. It seems to me that you end up with a contradiction of terms if you are talking about a central collection agency when there is so much potential for flexibility within the system.

That is the sort of message I was trying to establish--whether or not it was accurate. From the answers I elicited, I assumed that it may be a pretty loose system.

Mr. Peterson: You are right. I am sorry to cut you off, but we are on the same point. There is another monkey there too, the legal department. If they run into trouble, they refer to the legal department for independent advice on whether they should take it to court. There seem to be so damned many layers of bureaucracy ultimately relying on the private system if the bureaucracy fails, which is what you are saying.

Then the question becomes, why not use the private system completely to start with? You use them when you cannot perform anyway. I am overstating, but it is an admission of your failure the day that you hire a private collection agency. Give me a couple of good reasons why you just do not fold up your tents and go away?

Mr. Sargent: The commission is too much to give away.

Mr. Cardwell: I would answer your question by saying that the figures we have already quoted indicate that we are more effective in collecting government debts than the private collection agencies.

Mr. Peterson: That is dirty pool, in fairness, because you give them the dogs. You take the good ones.

Mr. Cardwell: No, sir. I am not referring to that statistic. I am referring to the statistic--

Mr. Peterson: No, I am just talking about in your own system.

Mr. Cardwell: No. What I am referring to is that the private agencies, which were surveyed quite conclusively--and incidentally, confirmed to me by people who visited me from the

United States, who confirmed similar kinds of figures there--collect 38 per cent of their order placements in one year. Those order placements are not just government business. They are all the types of business. In most cases they are far more current types of accounts than we receive from our own ministries, and yet our collection ratio is 46.5.

On that basis, I am saying that it is more effective if we attempt to make our collections ourselves. It is less costly.

Mr. Peterson: If you are that good, then why use private agencies at all?

Mr. Cardwell: Why do we use them? Basically, as Mr. Thatcher previously indicated, it is a matter of logistics. We have a staff of six collection officers. Our business is growing. Since we have been collecting more money, we have more business to attend to and it is a matter of logistics on how those accounts can be handled.

10:50 a.m.

Mr. Peterson: But you had already established, I thought--and correct me if I am wrong--that you turned those over to a private agency as a last resort. In other words, you take the first stab at them. With great respect, it does not support the argument you have just made. If you presumably were inundated with things you could not use, you would piece some off at the first instance.

Mr. Cardwell: I am using the logistical comment in the sense that if we have--as we have at the moment--8,000 accounts, and if we attempted to look after all the accounts ourselves with six collection officers, we would be dealing with approximately 1,200 accounts per person. No collection can handle an account portfolio of that size. The industry average is 420 accounts.

Mr. Sargent: Why do you not get a computer then?

Mr. Chairman: Will you let the gentleman finish his answer?

Mr. Sargent: It is to the point. I want to find out something.

Mr. Cardwell: I am sorry, I missed your question.

Mr. Sargent: You are not computerized?

Mr. Cardwell: Not yet. If we were computerized, then I would have the ability to handle more than I am able to do at the moment.

Mr. Chairman: Mr. Yakabuski has been waiting patiently.

Mr. Yakabuski: Not patiently, Mr. Chairman. I just feel that as the last one was a supplementary and mine is an original, that I will have the rest of the morning.

Mr. Chairman: I think that is fair, but you are not going to have the rest of the morning.

Mr. Yakabuski: I want to comment on what Mr. Peterson said. I am a little appalled by his business knowledge. Anyway, I would be completely against the Ministry of Treasury turning over their accounts to anyone. They handle corporation taxes, income taxes. Then there is the Ministry of Revenue, which handles retail sales tax, et cetera. These two branches of government do not give you their accounts and I do not think they should.

As far as using the private sector in the last resort goes, this is exactly what the private sector does out there. A little business firm in Elmira, for instance, may try like heck to collect an account. If it cannot, but belongs to the Ontario or Canadian retail merchants' association or some other association, it can turn that account over to them as a last resort.

That is what you are practising here. You are doing exactly the same as they do in the private sector.

I think you are doing awfully well by the percentages you have quoted. I have no reason to doubt them. If Mr. Peterson wants our Ministry of Treasury and our Ministry of Revenue to turn their accounts over to them, heaven help this province if he ever became Treasurer.

Mr. Sargent: It is going to happen.

Mr. Yakabuski: Never; that is why it is not going to happen.

Mr. Chairman: I take it that sums up your comments, Mr. Yakabuski?

Mr. Sargent: I just have a couple of points. What ministries are you collecting for now?

Mr. Cardwell: Basically we are collecting, if my memory serves me correctly, from 18 different ministries. We have 54 separate programs we are collecting for.

Mr. Peterson: Who are you not collecting for?

Mr. Sargent: Yes, who are you not collecting for?

Mr. Cardwell: We are not collecting for the Ministry of Revenue. We are not directly collecting for Consumer and Commercial Relations. There are one or two others but I am afraid I would have to check.

Mr. Chairman: Could I help out there? I happen to have a memorandum from the Treasury and the exceptions for you gentlemen are homes for special care, overdue taxes, family benefits overpayments, the motor vehicle accident claim fund, which is the bulk of Consumer and Commercial, and fines.

Mr. Sargent: Mr. Cardwell, what is your background? Is that your business--collections?

Mr. Cardwell: No, my background is quite mixed. I was a vice-president of marketing for a number of years.

Mr. Sargent: In what field?

Mr. Cardwell: In the plastics packaging industry.

Mr. Sargent: You do not charge any interest on these accounts?

Mr. Cardwell: Not all accounts. Interest is not our business. It is the affair of the client ministry. If their program dictates that interest should be charged, they advise us, we add it and charge it.

Mr. Sargent: It becomes your package after they give you the accounts. Why do you not charge interest on it?

Mr. Cardwell: At the moment that matter is under investigation. I am not sure what the results will be but I agree that perhaps it would be a good idea.

Mr. Sargent: It is a very big number today. What is the largest account you have ever written off?

Mr. Cardwell: The largest? I would be guessing but I can recall one of \$12,000. There might have been one exceeding that amount. I would imagine there probably has been one, but without looking at records--

Mr. Sargent: Would you check that out and give me a list of the five largest accounts you have written off?

Mr. Cardwell: Certainly.

Mr. J. A. Taylor: It is not an enviable chore, I would think. It is like a big garbage can into which everybody throws their junk and you have to do what you can with it. I commiserate with you.

Mr. Sargent: You are going after computerization then.

Mr. Cousens: I was interested in the same subject that Eddie raised a moment ago about the interest on debt. You refer to that in your report, Mr. Auditor. I would like to know if there is something we as a committee can do.

I think it is bad business not to be collecting money from people who are overdue in their accounts. It is not something we should keep on thinking about. The thoughts are on the table. We should be collecting it and there should be an immediate pressure made from up above, from ourselves, from whomever, to start collecting every cent due us and start charging a penalty.

Maybe we should throw this back to the auditor to assist us in helping to make that happen.

Mr. Yakabuski: You are not going to collect unless you get--

Mr. Cousens: You have to have a penalty. No wonder they are paying us last, if they are paying us last. Let us start putting a tab on it--and not the old-fashioned rates either. Let us be competitive.

Mr. Philip: The government introduced legislation yesterday saying that municipalities had the right to up their interest rates, so why should we be any different?

Mr. Cousens: Could the auditor comment on that, Mr. Chairman?

Mr. Chairman: The auditor already has, but if he would like to--

Mr. Scott: Mr. Chairman, if I may, I believe the Ministry of Government Services did refer that question to Treasury and it is currently under review--the interest policy. It is my understanding that one or two ministries now charge interest, but there is no uniform policy throughout the government on interest charges.

Mr. Cousens: I want to stay with it then. That is something we should come back to and certainly from within there must be ways that could--

Mr. Chairman: Mr. Cousens, it could be part of either an interim report or a final report of the strong recommendations of this committee.

Mr. Cousens: Could I just stay with this? As a business man I have installed computer systems. One of the benefits we had in those computer systems was to be able to automatically charge interest for overdue accounts after 30 days. It had never been done before and generated far more interest in their statements when that little interest was added on.

I do not think it is something we should be casual about. You are not casual in your answer but I think that we, as a government, have a responsibility to put that--

Mr. Sargent: That man wins a cigar.

Mr. Chairman: That means Eddie approves.

I think we have covered most of the subjects but one thing still bothers me. Mr. Taylor and Mr. Peterson have both touched on it. We have something like 26 ministries--let us say 24 operating ministries--some of which do their own collections. Presumably there are a lot of people out there doing the same type of work you do. Perhaps we, as a committee, should be looking at these other operations.

If we have a central collection agency, what would be your opinion--if I may put you on the spot--of having the central collection agency actually act as a central collection agency for all ministries and let the presumed expertise, the presumed improved efficiency through computerization, all be centralized in

the central collection agency, rather than having these diverse elements out there--which obviously you certainly do not have a handle on, nor presumably should you, but which certainly we as a committee have not been able to grasp this time or in the past?

Maybe I should ask Mr. Thatcher that.

11 a.m.

Mr. Thatcher: Yes, maybe.

Mr. Chairman, I think, just as we said earlier, that there are some charges that government makes on people that probably should not be subject to this kind of collection; you read out a list of things like fines and so on and I think many people would agree probably they are not appropriate subjects for collection agency work. That could also spill over to the decisions of which operations of which ministries should be included in the central collection operation.

I would suggest that probably, after a good look at that question, reasonable people would still be of the view that probably there are some functions of various ministries with certain specific charges that should not be included in the central collections work; and that would probably best be determined by Treasury, which sets the financial policy for the government as a whole; if I could answer you in that way.

Mr. Chairman: Is there anything further on this topic? We might want to consider suggesting that there be a complete review of this whole matter.

Is there anything further before we move on? Mr. Peterson.

Mr. Peterson : I would just like to get the gentleman's opinion on having a policy of charging interest on the outstanding balance. It is a good theory but it does not always work. In your opinion, would that be worth while? Would that give you an extra tool in your collection activities?

Mr. Thatcher: We think it would, Mr. Peterson. We think it would avoid the situation that does occur and that Mr. Cousens referred to, of debtors putting us last on their list of payments simply because we are not charging interest and some of the other creditors are.

Mr. Peterson: So what do you think?

Mr. Thatcher: I think it would be helpful to us in our collection process.

Mr. Peterson: Give us a number. What should we recommend? What percentage?

Mr. Thatcher: I would think we should not recommend a fixed number, but rather should have a number that is related to the current short-term interest rate at the lending institutions.

Mr. Peterson: Prime rate or--

Mr. Thatcher: I think related to prime rate. It does not have to be prime rate, but I think it should be connected to prime rate, so that as the prime rate goes up or down, our rate would also go up or down.

Mr. Peterson: What would you say, three-quarters of the prime rate?

Mr. Thatcher: Something of that sort.

Mr. Peterson: Some sort of recognition like that?

Mr. Peterson: Yes.

Mr. Chairman: Chargex and everybody else is charging about 23 or 24 per cent; and I can tell you from personal experience, it does get your attention in a hurry.

Is there anything further then, lady and gentlemen?

Mr. Sargent: One more thing. Are we in the committee going to crystalize or finalize this report to the auditor from the committee, or what?

Mr. Peterson: One more thing: tell Yakabuski that charging does not collect the package.

Mr. Chairman: Yes, we will be dealing with recommendations as to the interest rate, and perhaps a review of the whole thing. If there is nothing further, then, gentlemen, thank you very much for your attendance and your answers this morning.

While the players are shifting and we have a relatively full committee, I should like to bring to the committee's attention that our research assistant, Ms. Martha Fletcher, is going on to greener pastures at the end of the month.

As you know, especially those of you who were here last year, Martha has been of inestimable worth to the committee and it is largely due to her efforts that we had such an excellent report last year. On your behalf, I would like to thank her for her contribution and wish her well in her new job with the Ministry of Transportation and Communications.

Mr. Peterson: I totally disapprove of her leaving and I move that she not be allowed to leave.

Mr. Chairman: I have already suggested that, but she has made up her mind.

We will, then, go on to the next item of business, dealing with the Ministry of Culture and Recreation in regard to everybody's favourite program, Wintario grants. We have the well-known Mr. Ward Cornell, Deputy Minister of Culture and Recreation, and Mr. B. F. Webber, the executive director, finance and administrative division.

Mr. Cornell: And, Mr. Chairman, Mr. Michael Noon, who is the director of the administration branch.

Mr. Chairman: You will find these matters on page 25, item 2.6; also, if you have your public accounts' volume one, section 3-14.

Page 25 in the auditor's report, but in the briefing material you will find that most of this is at the beginning.

We have a little light reading for the weekend.

I trust, Mr. Cornell, you do not expect us to go through this information at the moment.

Mr. Cornell: No.

Mr. Chairman: Would you have any opening comments, Mr. Cornell--

Mr. Peterson: You could just précis these folders for us.

Mr. Chairman: --in regard to the matters raised in the auditor's report?

Mr. Cornell: No, I would be happy to do it any way you wish; go through it point by point.

Mr. Chairman: Why do we not start at the beginning, then, and we will go point by point?

If you have questions as we go along, please raise them, because I should like to move from one item to the next in the hope that we can cover all of the points.

Mr. Cornell: Do you want me just to begin, Mr. Chairman?

Mr. Chairman: Please.

Mr. Yakabuski: I do not think you want to go back to Hockey Night in Canada.

Mr. Cornell: Never heard of it.

Mr. Chairman: I am sure there are days when Mr. Cornell wishes he was still there. This may be one of them.

Mr. Cornell: On page 25, number one; the problem that the auditor raised here was that in the early days of the Wintario program, to the communities raising funds the ministry gave credit on the gross revenues rather than the net revenues.

That did happen on occasion. The basic mistake, in the early days of the ministry in the program, was that the financial people were in one branch, even on a different floor, and the analysts were on another. So although the program worked effectively, there were mistakes. The way it works now, we think we have solved the problem, we hope to the auditor's satisfaction.

We now have it all in one unit, the analysts as well as the financial people. Also, the auditor suggested in that same evaluation that there should be some kind of an evaluator looking at all of these things as they go along and making sure that they are done. So we have now added an evaluation officer to the staff.

11:10 a.m.

The third thing that goes along with this to correct this weakness from the past is that in the new program we are hitting right up front. The people who apply for a Wintario capital grant are required to anticipate their net funding proceeds right at the top of the application to begin with.

Is there anything more you would like me to say on that?

Mr. Chairman: I think that covers it pretty well.

Mr. Cornell: Moving to the second point, again the basic problem on this one was the two branches being separated: the financial people in one place and the project analysts in another. Now they are on the same team and are on the same floor. Actually the two of them are attaining confirmation of the actual amount of any provincial or federal grants received and receivable from a project prior to the processing of the final payment. That is what the evaluation officer does.

Mr. Sargent: Where are we now? What are we talking about?

Mr. Cornell: We are on number two on page 25.

Mr. Sargent: Is \$1,172,000 the one?

Mr. Cornell: No.

Mr. Yakabuski: Page 25 of the auditor's report.

Mr. Cornell: I am sorry I do not have your précis copy, so I do not know what page it is in the précis.

Under the new program, the request for Wintario capital grant payment form presently being designed will require details of any other provincial or federal grants received and receivable so the necessary adjustments and the payments can be made. So it is right up front on the form. We have included in that, get the new Wintario form.

Is there anything else on that point?

Mr. Yakabuski: I just wanted to mention, if I may, that Mr. Cornell has answered at least two of the questions by saying: "The two groups were on different floors. We have brought them together. They are together now." He seems to feel that that is the answer; now we solved everything. But are they working together?

Mr. Cornell: Yes. Not only are the financial people from the financial branch now with the analysts but we have put them

into project teams, so the analysts and the financial people work as a team on a project.

Mr. Sargent: Have you ever refused to fund a project?

Mr. Cornell: Do you mean applications? Not all applications are accepted.

Mr. Sargent: Giving the reason that the project was beyond the applicant's means?

Mr. Chairman: That is number three.

Mr. Cornell: We are at number three now, page 26. The problem here is a Wintario grant could go to a project which, when completed, could not really be sustained because of the lack of the ability of the municipality or the community to meet the operating costs. This did happen in about five or six situations. Naturally, it could be a problem.

Mr. Cunningham: What particular situations? Give us an example, if you do not mind.

Mr. Peterson: It is a hell of a problem. It is far more serious than five or six.

Mr. Sargent: All over the province.

Mr. Cornell: I think it is the most serious problem.

Mr. Peterson: Yes, I do too.

Mr. Yakabuski: It is probably the reason for the cutback and holdback and re-evaluation of the whole Wintario program, so that these things can be avoided in the future, because I think it what we fear now.

Mr. Peterson: It is a fear all of us have.

Mr. Chairman: The Royal Ontario Museum was one of them.

Mr. Peterson: I want to talk about this.

Mr. Chairman: Perhaps Mr. Cornell could finish his remarks and then we could ask some questions.

Mr. Cornell: I am going to ask Michael Noon to expand on it if you feel there is any necessity to, but what we have done in this case is when an applicant makes an application for Wintario to build, say, arena A, he is required to provide a separate detailed statement of the ongoing operating costs of the facility, any debt retirement and the anticipated sources and availability of funds to meet these expenses and to operate the facility. Again, this has to be up front now.

Further, the applications from municipalities will be assessed in consultation with the local field officers of the Ministry of Intergovernmental Affairs--as were our own field

people, of course--where appropriate, to evaluate the feasibility of capital financing and the availability of operating sources.

This also means that in the majority of communities, they would have to go to the Ontario Municipal Board for approval anyway to go ahead with the project. So if the field staff of Intergovernmental Affairs feels that this community, despite their great desire to have an arena or whatever it might be, really could not cope with it, that would be their recommendation to the OMB. It would then be up to the municipalities to discuss this with the OMB. The OMB decision would be final on that, which is a major change.

Michael, is there any important facet that I have left out in this?

Mr. Noon: No, that process is in place and we will have quite a good liaison with the Ministry of Intergovernmental Affairs through the field offices and also with the OMB. In the past some municipalities possibly acted unwisely against the desire of the OMB, did not go to OMB for approval in their eagerness to build a capital project, but in the application process this will all be covered. All the checks and balances will be made.

Mr. Cornell: It becomes a very emotional point in a lot of communities. Having an arena is a lot like having an airline. You cannot be a nation unless you have an airline.

Mr. Peterson: But an art gallery-- What you are doing here is you give operating funds through some agencies, through the council of arts, for example. If there is a cutback at the federal level or at your level or whatever, they count on certain amounts of money coming forward. It is very difficult to give you a pro forma on an art gallery that is two years out.

A classic example is the one we have in London, Ontario. You know the problems of that art gallery better than I do. Now they are laying off people, cutting back programs; they are struggling from day to day not knowing what they are going to get from you.

Mr. Cornell: No, I do not think that is quite true in the sense that it has been revised--

Mr. Peterson: But they are back on your doorstep every day for more.

This is for a different hat you wear: what kind of an operating commitment do you give a cultural institution? Do you say, "We will give you so much over the next five years"? How far forward do you allow them to plan?

Mr. Cornell: Are we talking about the Wintario part or just the grant program?

Mr. Peterson: It relates very much to the eligibility. Let's take an art gallery in London as an example, where you throw in--

Mr. Cornell: To be quite honest--and you correct me, Michael, because I was not here at the time--but on hearing the background in the London situation, we urged them many times in the Wintario thing that they were getting in over their heads in terms of the amount of money they were spending on the gallery.

Mr. Noon: Yes. They did do operating cost projections. They were well advised as they were planning the building that in the first year of operation their expectancy of government support for operating costs could not be high because it was a new facility.

Mr. Peterson: It is very important, because one of their major operating sources of revenue is what you give them through the Ontario Arts Council and coming from the feds as well. There have been cutbacks there as well as the municipalities.

In order to determine the nondependency principle, what kind of indication do you give them in terms of operating costs and for what period of time?

Mr. Cornell: We are getting into another program here.

Mr. Peterson: No, but it relates very much, Ward, to this question.

Mr. Noon: If I may, the art galleries that are supported by the ministry directly, after the first year's operation, can count on an operating subsidy. It is a 20 per cent of their previous year's operating budget. It is on a sliding scale. So they have some good knowledge of their operating support.

Mr. Cornell: Also, if you go from, say, an old gallery where your operating costs may have been lower, to a new one, an adjustment and assessment has been made, certainly in the case of London.

Mr. Peterson: Is the operating commitment a straight 20 per cent of the operating cost?

Mr. Cornell: Yes.

Mr. Peterson: Regardless? Even if they go crazy?

Mr. Cornell: Yes.

Mr. Noon: It is of the previous year's operating real--

Mr. Peterson: Which you have approved of.

Mr. Noon: Yes.

11:20 a.m.

Mr. Peterson: For example, the regional gallery in London has had to cut back, and they have been at your doorstep several times, as well as at the feds' and the municipality. It clearly gives the impression that there is tremendous financial

pressure on these people constantly, trying to survive. They don't know from day to day how much they are going to get.

Mr. Noon:: I think the London gallery is a unique situation because they went from a small operation in the library to a major, multimillion-dollar building, with major growth rapidly. Possibly the planning wasn't that wisely done to accommodate a staged growth.

Mr. Peterson:: The municipality ends up carrying the can. They cannot afford to close it down. It puts tremendous pressure on the municipal politicians to come up with double or triple the grant to keep the thing going, all the while cutting back services.

Mr. Cornell:: As we have said to that board and continue to say to them, they have to have a very active campaign with the private sector to raise funds.

Mr. Peterson:: Which they did.

Mr. Cornell:: I understand they are going to do it again.

Mr. Peterson:: Now they are doing it again with the Challenge fund.

The theatre is another example of the same kind of situation--going back every year to try to get an exemption from municipal taxation. Those things weren't determined prior to the Wintario grant. None of these things would have been built without Wintario.

Mr. Cornell:: The point you are raising is a point the auditor raised in this sense. I wasn't here on the theatre grant, of course, in that era, but the point is now that wouldn't go through without the field officers of Intergovernmental Affairs talking to the municipalities and finding out if was feasible and if they could support it. There would probably have to be approval from the Ontario Municipal Board.

Mr. Peterson: You know what I am wondering? Frequently these things are built by individuals. Most cultural institutions are carried by certain individuals. That is reality. It is a good thing. These people are great citizens. But sometimes they end up forcubg municipalities or governments to carry the can. They walk out and you can't close the thing down.

Have you ever considered going--maybe it is too difficult an onus to put on people--but going to the creators or the main people, and saying: "Look, you have a personal responsibility. We are going to throw in our million or two or three, but you have to put your signature on the line that such and such things are going to be met over the next five years or whatever."

Mr. Noon: That is what we are trying to do now in the new program--to obtain the guarantees of operating support before the building is built.

Mr. Peterson: Is that driving benefactors out of the business? They could say, "I am giving \$1 million myself; why should I have to carry the can for these kinds of things?" What is the reaction to that kind of a request from you?

Mr. Cornell: It is a new program that is just under way, and we do not seem to have any trouble getting applications.

Mr. Peterson: Have you actually gone to some donor in some community or some group of donors, and said, "We want your signatures on this"?

Mr. Cornell: No, but the applications of the new program are out now and that means that they have to make the commitment up front. That is all understood.

Mr. Peterson: Is that a legal responsibility? Could you sue them for it if they do not?

Mr. Noon: There is some legal responsibility in the organization signing an application form agreeing to abide by the terms and conditions of the program, and all of the conditions relating to future operating viability. We would probably have some redress, if necessary.

Mr. Peterson: Let us take a situation. We put \$5 million or \$10 million into a new structure, and three years from now it is not paying, you have cut back through one of your other arms, the feds have cut back because it is the easiest one to cut back, and the municipality is not forthcoming because they have sewerage problems, or whatever. You have this thing sitting there, and you cannot close it down.

Are you telling me that you have a form now whereby you can sue those people?

Mr. Noon: No.

Mr. Peterson: There is no such thing as quasi-legal responsibility. Either you have it or you do not.

Mr. Noon: By the applicant signing the form, he is stating to the ministry that part of the condition of the Wintario program is that they have the up-front guarantees of operating support from sources other than the government.

Mr. Peterson: They say things like, "We will have a fundraising drive next year and raise so much money." If that money is not forthcoming, then-- You are not helping me out very much. You know what I am getting at, but I don't know what the solution is.

Mr. Cornell: If you are talking about projects in which municipalities are involved-- That is what you are concerned about here, when municipalities have responsibility as well. If there is a cutback and they feel there is too big a drain on their resources, the thing will not go.

This is part of this new plan to make sure that the Intergovernmental Affairs people, in liaison with the OMB, really, make all that clear and make the deal. Indeed, OMB should not approve if there is any doubt in their mind that the municipalities were able to handle the problem.

Mr. Peterson: The municipality can set up aid on an art gallery too, you know. Ultimately, I guess, they have legal responsibility for it, don't they? But they are nonprofit, nonincorporated companies. The real responsibility is in the hands of the trustees. The trustees fight with the municipality and get what they can and fight with you and fight with everybody else.

Mr. Cornell: I think there is also another major problem which you are touching on, and that is that governments, municipal, provincial and federal, are going to have to-- Well, I think we do now, but nobody really seems to read the writing on the wall as carefully as they should, that money is going to be tighter and tighter in these things. So not only their expectations but their actual plans--they have to start to manage more efficiently.

They have to think of user pay. They have to think out their fund-raising campaigns much more seriously. They have to manage more effectively than they have in the past. I think maybe the days of the curator of an art gallery who just knows paintings is probably done. He has got to be a very good manager and administrator as well.

Mr. J. A. Taylor: Could I ask a supplementary on this, David? It is just the fact that--it has come out several times--you seem to rely to a great extent on the fact that a municipal corporation cannot commit on future years or future councils, ongoing expenditures, and therefore an application to the Ontario Municipal Board would be necessary. With the Ontario Municipal Board you have a forum where the capability of the municipality to carry the burden is examined.

Now that is okay as far as it goes, but you still have the situation where the capital cost is not only committed but wholly spent within the term of the current council, so that an application to the municipal board is not necessary. So now we have a capital expenditure that has been made.

There has been no examination from a financial point of view by the Ontario Municipal Board, no assessment, at least, at that level of the capability or even desire of the municipality to pay for the ongoing operating expenses of that particular project.

What I am wondering is in those cases where you do not have the Ontario Municipal Board as a forum for examination and assessment of financial capability, how do you substitute for that mechanism in those circumstances? As you very well know, it is easy, sometimes, to generate sufficient capital for the project. That is the cheapest part of it.

Mr. Cornell: That is the easy part.

Mr. J. A. Taylor: It is the ongoing cost. Once that commitment is made, you go back to the legend of the white elephant. It is too sacred to kill, so you give it to an enemy; it eats it head off and it bankrupts your enemy. I am just wondering what you do there. That is one question that I had.

The other question relates to projects that are undertaken, in a physical sense, prior to approval, and what criteria you have in terms of declaring that kind of application beyond your jurisdiction. Do you say, "It is okay, boys, you should not have done it, but now that you have, we will see if we can fix it up for you"? Those are the two questions I want you to address if you would.

11:30 a.m.

Mr. Noon: Yes. In answer to your first question, besides municipal projects, there are a large number of nonmunicipal projects that apply under the Wintario program, which the OMB has really no jurisdiction over. For those, both municipal and nonmunicipal projects, we do not get involved with the OMB because they can afford the capital costs. We have to rely on our own ministry resources.

The local field consultants of the ministry have some perception of the ability of both municipalities--

Mr. Sargent: Is it a political decision?

Mr. Noon: No. They have some perception of the ability to carry costs. We also, after five or six years of helping build cultural and recreational projects, have a lot of knowledge about operating costs. The material we have given you includes some documents that give test-case studies on operating costs. So, we do our own analysis.

As I said earlier, we ask for operating budget projections and we will scrutinize those and relate them to our knowledge of what it should cost to run a facility. If it appears that they are selling a bill of goods, the project will not get approved in future. There will be no capital.

Mr. J. A. Taylor: You have your own criteria, you make you own analysis and you come to your own conclusions. Unless you are satisfied that it is financially viable, not only in the construction costs, but in terms of the ongoing maintenance independent of outside government financing--

Mr. Noon: Yes.

Mr. J. A. Taylor: Then you either proceed--you give your approval or you do not. Do you have any experience? You say you have had five years or something. Does that experience indicate that your track record is pretty good in regard to your decision making, or have you had any problems? Are your analyses more sophisticated now than they used to be?

Mr. Noon: Yes. They are more sophisticated with that five years of experience, and there are 4,500 capital projects

being built. But no one can be a crystal-ball gazer, really.

Mr. Sargent: How many?

Mr. Noon: Four thousand five hundred capital projects receive Wintario funding. No one can prophesy the state of the economy and its effect on future operating costs. We do our best. We have some expertise. We also rely on other expertise within the ministry and the Ontario Arts Council for comparative figures when we are presented with these budgets.

Mr. J. A. Taylor: So, you are satisfied that your expertise is sufficient to substitute for external agencies and to ensure the ongoing capability of a community to maintain that particular project?

Mr. Noon: As far as we can, yes, where that outside expertise is not applicable.

Mr. J. A. Taylor: Would you care to comment on my second question, which relates to eager persons who undertake a project in a physical sense, in advance sometimes of an application to your ministry, or at least in advance of the approval of that particular project?

Mr. Noon: As you know, the Wintario program was closed down for two years. It is clear that there were a lot of projects waiting in the wings to start, as soon as the program opened up. In introducing the criteria of the new program we were aware that there would be some emergency situations where a project had to start. But the pre-approval criterion is strictly applied.

If an organization commences to build without approval of a Wintario grant, obviously there is no guarantee of Wintario funds being made available. I know of no cases where people have been bailed out because they have some assumption--unless they had consulted early on and were given some understanding that the funds might be applied.

We have gone as far as allowing organizations to start after a formal application, properly documented, has been accepted in our field office, so that they have fulfilled all the requirements of the initial application process. They can start the project. It does not prejudice a consideration of that application, but it does not guarantee them the funding because the decisions on the funding will not be made until after the application period closes in September.

Mr. J. A. Taylor: But it does not prejudice the application?

Mr. Noon: No.

Mr. J. A. Taylor: I think there may be some danger implicit in that. When you say it met all the criteria and you see nothing wrong with the project, there develops an expectation on the part of the applicant that the funding will follow. I think that if it did not, there could be some severe criticism.

Mr. Cornell: There really should not be any expectations at this time. For example, applications are on now. People are meeting with the consultants in the field and the applications are going in. They should be aware that there are probably many more applications than there are successful candidates. They know it has to be assessed and the decision might be made no closer than September 3--

Mr. J. A. Taylor: Mr. Cornell, I appreciate your observations. But what I am also suggesting is that--

Mr. Sargent: Even though you do not believe them.

Mr. J. A. Taylor: I am also suggesting that when you do not prejudice an application by premature startup, then the indication is that you will not get that applicant starting up, maybe for good, valid reasons. It may be the time of year, some funding arrangements, a contract where you have cutoff dates, otherwise the prices go up. But for whatever reason, the expectation is there because they are not discouraged from starting

Mr. Noon: Mr. Chairman, this was given very serious consideration before the program was reintroduced. This slight relaxation of the pre-approval rule is only for the first year of the program. The next year and in subsequent years, the pre-approval requirement will be stringently maintained. But there was some acknowledgement that the program had been closed for two years. There were a lot of people waiting in the wings.

Our funding would not be available until the next fiscal year. We thought that there was reason enough in the first year of the reintroduction of the program that, given good grounds, we would not prejudice those who had put together a proper application. A proper application requires all the other funds up front, so really they are probably viable projects that will get serious consideration.

Mr. J. A. Taylor: I am not suggesting that they are not. I just wonder what the safeguards are in terms of building expectations and what, in a practical sense (inaudible) you have to have to say, "I am very sorry, you meet all of the criteria but we are not going to fund your particular project." They have the footings in and the walls--

Interjection: Resist community pressure.

Mr. Cornell: That may happen this fall. We hope they have not started things.

Mr. Pollock: You mentioned that the Ontario Municipal Board has to approve projects. Do you have to get approval for something like a baseball diamond, which is really a small project?

Mr. Noon: No.

11:40 a.m.

Mr. Noon: No, it depends on the debt capacity of the municipality. All we are trying to do is maintain the law that is in place regarding the OMB as far as the debt is concerned with ball diamonds and small projects in municipalities.

Mr. Pollock: Is there a bottom-line figure about it?

Mr. Noon: It varies, I think, from municipality to municipality.

Mr. Sargent: Mr. Chairman, on page 26, item six; it has always been my feeling since the inception of this ministry that it has been a political slush fund and nothing over the years has led me to believe that it is anything other than that today. I would like to ask--

Mr. Cornell: You are referring to item number six regarding the--

The Vice-Chairman: We really have been bogged down on number three, talking about the dependency principle. I am wondering if we should bring that up. Presumably when we move down you will have some remarks on these others.

Mr. Sargent, we can talk about that when we come down to six. Is that a fair way to go through the report?

Mr. Sargent: Just a moment, I would like to ask, does every project have to have the minister's approval?

Mr. Cornell: I think everybody has to approve them right down the line.

Mr. Sargent: There are 4,000 projects you have worked on and the minister gave approval on every one?

Mr. Cornell: Yes.

Mr. Sargent: So finally, regardless of what the consultants say, if the minister says go, it goes.

Mr. Cornell: That would be under a thing called the minister's discretion.

Mr. Sargent: They never check it out with me or our leader whether a project is going to go or not. Mr. Minister can say, "Politically it is a good deal."

Mr. J. A. Taylor: You would not want any project taking place in your riding out of a slush fund?

Mr. Cornell: The consultancy staff and the analysts do the applications and if they are satisfied with it they give their approval and they recommend it.

Mr. Sargent: But if they do not, the minister still can okay it.

Mr. Cornell: They recommend it to the minister for approval.

Mr. Sargent: If they do not approve it, the minister can still okay it.

Mr. Cornell: It can be reviewed by the minister, but usually, as I am finding out, the minister says "yes" and the deputy writes the "no" letters.

Mr. Cunningham: Why is that? I can never understand that.

Mr. Cornell: I am just being facetious.

Mr. Cunningham: That happens to be the fact. When I get correspondence from your outfit I do not have to read the letter, I just look at who signed it.

Mr. Cornell: The minister writes "no" letters too and he writes "yes" letters.

Mr. Sargent: On how many cases has the minister overruled the consultants?

Mr. Noon: I cannot think of any since I have been at the ministry.

The Vice-Chairman: Is there anything else on the nondependency principle?

Mr. Sargent: Have the consultants ever overruled the minister?

Mr. J. A. Taylor: Only if a consultant becomes minister.

Mr. Sargent: One more question: how big a project does not need the minister's approval; can you say okay?

Mr. Cornell: Every project comes up for the approval of the minister.

Mr. Sargent: So 4,000 projects had total unanimity?

Mr. Cornell: Yes.

Mr. Sargent: That is beautiful.

Mr. Webber: Mr. Chairman, if I might make one relevant observation relating to Mr. Taylor's question on the reliability of the staff work, I think it is only fair to note that we are not talking here today about the large number of projects where our staff have counselled the local organizations out of proceeding. I think that should be noted. The staff has done a good job in that regard.

Mr. J. A. Taylor: I do not want you to take my remarks as negative criticism because I know that your staff has been very helpful, certainly in my area, in counselling groups that maybe

should not even undertake a project, so I presume that only if it is viable is there an application in the first place. Also I may say that there has been help from other ministries, Treasury and Intergovernmental Affairs have been involved.

Mr. Sargent: Do you deliver the cheque, Jimmy?

Mr. J. A. Taylor: No, I do not, Eddie, I do not grandstand like that.

The Vice-Chairman: I would like to say from my point of view, the field staff in London is absolutely first rate. They really are sensitive, plugged in and intelligent. If they are like that everywhere I am telling you--

Mr. Cornell: Mr. Chairman, I would say that part of our new thrust, too, is to do more and more out in the regions and so it is encouraging to know that you think they are doing a good job.

The Vice-Chairman: Number four. Time is sneaking up on us a bit here. Is there anything?

Mr. Cornell: Number four really is very simple. We used to accept land as cost on one appraisal. Now, even from the time of the auditors, we bring in the appraisers and ask the Ministry of Revenue to also give an appraisal. The new system goes on like that.

The Vice-Chairman: Number five.

Mr. Cornell: Number five, in the early days of Wintario we did accept just a certified letter saying that the funds had been received, and so on, and the auditor wanted to know should there not be some follow-up. This is part of the new duties of the evaluation officers I mentioned to you.

The Vice-Chairman: Number six.

Mr. Cunningham: Mr. Chairman, what two clubs are referred to under item six?

Mr. Cornell: The North Bay Curling and Athletic Association and the Winchester Curling Club.

Mr. Cunningham: Where is that?

Mr. Villeneuve: Dundas county, the best part of Ontario.

The Vice-Chairman: Any questions on six?

Mr. Cousens: You are following through each one and Mr. Cornell has commented on it but he has not had a chance to respond to anything.

Mr. Cornell: On this particular one on the clubs, the auditor actually included in his report the ministry's position on the matter: "In accordance with the direction of the former minister when this ministry responded to the Ministry of Labour's closure of arenas and curling clubs under the Industrial Safety

Act, some leniency was required to ensure that such ice facilities be continued to be made available. As the profit-oriented curling clubs were the only such recreational facilities in the area and as the change from profit to nonprofit status was deemed to turn such facilities from the private to the public domain, special considerations were made in accepting the proposals in turning the value of the facilities over from the shareholders to the public."

Here was a case where, if the improvements were not done, the whole facility was lost to the community and the ability to build a new rink could not go through.

Mr. Sargent: That was totally against the--

Mr. Cornell: No, it was not against the criteria.

Mr. Sargent: It was for a profit organization.

Mr. Cornell: That was the thing. But no, they then became nonprofit. They became a public organization rather than a private organization.

Mr. Sargent: Somebody must have made a big buck on the sale of the land though.

Mr. Villeneuve: If they are in a rural community, a curling club, none of them is profit making but it is entertainment and a community centre for people to meet.

Mr. Sargent: If I have a piece of land and I am going to put it into a profit organization, I go down the track, I get the thing built and I have my land there and I am all set to go public on it. So what happens to my equity in the land?

Mr. Villeneuve: These people form an organization; they buy the land, they build a structure, they sell shares, perhaps \$500 or \$1,000 each, to people in the community who really want to curl. Then something happens; it may have to be renovated or the building is condemned, which happens in some instances. They have no money; they have put this money into it, but then they have to dissolve that partnership, show that they have no claim, that it is for the use of the whole community.

This is the way they have to meet problems in the rural community. They have done it in Alexandria and they have done it in Winchester, in my area, and everybody is satisfied.

Mr. Sargent: You are not reading what I am trying to say. Here we have \$750,000 worth of grants that should not have happened, so someone along the line, before it got to the stage that they said it has to go public, it cannot be profit-making, somebody made a hell of a lot of money on that \$750,000.

11:50 a.m.

The Vice-Chairman: Can Mr. Cornell respond to that?

Mr. Cornell: I believe in that particular case, when it

became public rather than private, the club donated the land and what buildings they did have because the problem was the roof.

Mr. Sargent: Will you document both cases?

Mr. Noon: Yes.

Mr. Sargent: I will look for that.

The Vice-Chairman: Any other questions?

Mr. Cousens: There is the question of how it is handled. They go from profit-making to nonprofit-making. They qualify for a grant and assistance. What are the mechanisms of our continuing to monitor these nonprofit organizations from going public again? I would like to know the process followed along that line.

Mr. Cornell: Our evaluators continue to follow. This is part of the new thing that the provincial auditor has suggested and which we have introduced.

We are trying not to be policemen on it all, but at the same time we are trying to meet the demands and our own desire to be much more accountable and have the people accountable to us.

Mr. Cousens: Could I take it a step further? If a private company that Mr. Sargent owns goes nonprofit and then goes back to being private again, is there any clause in there that would allow us to recover the assistance we gave and is that in the contract or agreement?

Mr. Sargent: Recover equity.

Mr. Webber: In the new program, there is a definite stipulation.

Mr. Sargent: What is the new program we are talking about?

Mr. Webber: This is the capital program which was announced by the minister in January of this year.

Mr. Yakabuski: Just in January, before the election.

Mr. Sargent: What election?

Now, you're keeping the promise.

The Vice-Chairman: Mr. Cousens has the floor. Are there any more questions?

Mr. Sargent: I didn't hear the answer.

Mr. Webber: In this new program there is a definite stipulation, one of the guidelines criteria, that any organization accepting the grant must stay in the public domain as a nonprofit organization for, I believe a period of 20 years. It is a long period. Legally, we could recover funds if they did.

Mr. Cousens: Good. Thank you.

The Vice-Chairman: Number seven: Does anybody want to attack a church?

Mr. Cornell: Again, this was a similar situation. Here was something that was recommended right in the Spadina area. The United Way was involved in it as well. So we moved in and co-operated with them in the restoration of the building.

Mr. J. A. Taylor: I was looking for that kind of co-operation in my riding on a couple of churches.

The Vice-Chairman: Does anybody want to tackle the United Way?

Any comments on section seven?

Mr. Cornell: Number eight, on the tendering: In some cases in the early days the work was not tendered and in some cases it was not documented very well.

However, that was in the old system. Now, and I believe I am correct in this, even in those small communities where there is nobody else to tender but one person, we get an evaluation to see which is which. Everything is based on the lower tender anyway.

For example, in community A if the tender is \$10,000 and the next one is \$12,000 and they really want the \$12,000, we only pay our grant based on the \$10,000 even if they still want to go with the \$12,000.

Have I left any of the points out on this?

Mr. Noon: No. Basically we want evidence that they have tendered; if they have not tendered, we want to know the reason. It may well be in some small northern communities there is only one contractor around who will bid. Again, using our own expertise, we can evaluate whether that price is realistic. Generally, we will go with the low tender or the value of the low tender.

The Vice-Chairman: Do you have anything to prevent conflict of interest? For example, a promoter of a project has the town build it and then foists it on the community.

Mr. Noon: In the beginning of the program, no. That happened a couple of times and was a bit of a problem, but in the new program, again going through this rationale for tendering, if there is an obvious conflict of interest, we would get some other quote and pay only on the realistic value.

Mr. Cousens: The whole tendering process is just a fascinating exercise in how the public can control the way its money is spent, so it is nice to use the word "tender." I would like you to define a little more of whether that tendering process has some kind of policy guideline to it, so that it is something that does truly make it an open, competitive tender with no chance--just alluded to here by our chairman--for a conflict of

interest. Also that it has the opportunity to get the best price and to make sure that the best price is taken. Are these delineated?

Mr. Noon: They are not delineated in the specific criteria. Our field staff have sets of guidelines on how to consult and review the documentation, which include the tenders. Yes, it is spelled out to the field.

Mr. Cousens: Could I have a copy of that?

The Vice-Chairman: Could you provide that?

Mr. Sargent: Who makes the tender call? The local organization?

Mr. Noon: The organization which--

Mr. Sargent: So they have the option of seeing the lowest or any tender not necessarily accepted? In other words, I think the local companies should have preference if there is not too much of a margin.

Mr. Cornell: That's right, but we only pay our grant based on the lowest tender. You are quite right. They can decide to choose--

The Vice-Chairman: Anything else on the tendering?

What about the last section--grant criteria?

Mr. Cornell: Apparently there were places where the plaques were not being put up, as the auditor noted, at some of the arenas and concert halls. This is part of the rules and regulations. So the evaluation officer now chases it. It just so happens that only in Mr. Webber's riding have we had a problem.

Mr. Sargent: Why do you give half to a metropolitan area and only give one third to a small area?

Mr. Cornell: When the program originally started, there was the feeling that in eastern and northern Ontario, because of the economic situation, it would be better to give them up to 50 per cent, leaving the south and west at one third.

There was some discussion last year when we came in with the new criteria, that we should now make it even all the way across the province. The decision was made and because we had put a freeze on for a year and now we were lifting it for a year we felt it would be unfair to bring in new criteria at this time.

Mr. Sargent: That's a crock because--

Mr. Cornell: May I just finish, Mr. Sargent? There is no doubt about it, we will be looking at it again, but whether everybody will be the same or whether it will eliminate communities 50,000 and greater in the east and the north, we don't know.

Mr. Sargent: The majority of your money comes from southern Ontario. Why the hell should we not get the same shot at it as northern Ontario?

Mr. Cornell: It was believed that the viability of those communities was greater to sustain the extra cost--

Mr. Sargent: You are carrying it too far.

Mr. Cornell: --whereas, in the northern part of Ontario there was a strong need for arenas and recreational facilities. If they had only received one third rather than up to one half, there wouldn't have been as many facilities.

The Vice-Chairman: It may be a policy question that has to be brought up with the minister.

Mr. Yakabuski: Mr. Cornell said that in reviewing and putting together the new program, it would be a little unfair to change the criteria at this stage. It had been under review.

But you have changed the criteria for many things. Why do you say it is unfair to do it there and not in other areas?

Mr. Cornell: Because so many of the smaller communities had made--I don't know whether they actually made applications, but they were intending to make applications over a year ago. This would have been a very damaging one to them.

Mr. Yakabuski: That is a valid explanation. I accept it.

Mr. Cunningham: When was the freeze concluded?

Mr. Cornell: The freeze was concluded on March 31.

Mr. Noon: Effective April 1.

Mr. Cornell: From April 1 we accepted new applications.

Mr. Yakabuski: Why did the Owen Sound area get so many capital grants from Wintario?

Mr. Cornell: You will have to speak to the member for the riding.

The Vice-Chairman: Before you go, my biggest personal concern, if I can descend out of the chair for a minute, is this dependency principle. I have seen the trouble that has been created on municipalities and groups of citizens and it is very serious. One of the things that is coming along is the ROM and I have not yet seen what your operating commitment is to the ROM. Have you made an operating commitment to the ROM?

12 noon

Mr. Cornell: They will operate on a grant--better than \$9 million a year.

The Vice-Chairman: Is that going up substantially over the old--

Mr. Webber: Their increase this year was about nine per cent.

The Vice-Chairman: What about when they move into new facilities? How are you going to handle that?

Mr. Webber: We will have a detailed submission from them as we do from all our agencies every year relating to their prospective costs for the following year. Then we will enter into a dialogue with them to assess those proposals.

The Vice-Chairman: What you are telling me is, you do not know how much you are going to be giving them three years from now and how much they can count on from you.

Mr. Cornell: Nor do we know from them what their plans are, Mr. Chairman. Dr. Cruise has written to me--I just received a letter this week--saying can we sit down and talk about the future.

The Vice-Chairman: You walked right into the problems again that the auditor brought up in section three here. I say, with great respect, it is certainly not solved to my satisfaction. However, maybe there is no further we can go on this. It is my thought that you should be working a lot further out.

Mr. Cornell: We are talking about a granting formula vis-à-vis the Wintario thing.

The Vice-Chairman: They are related because this principle depends on the operating thing. Are there any more questions?

Thank you, gentlemen, for coming today and spending the morning with us.

Mr. Cornell: From the notes I spoke from, we made copies, if you would like them.

The Vice-Chairman: Would you be good enough to circulate them? There are just a couple of other items on the agenda, if I may keep you gentlemen for a few moments.

We have to decide our schedule. Number one, we do not know what is happening next week. The House may or may not be sitting. Would you like to meet next week if the House is sitting, assuming that the chairman, along with Marty and Graham, can scratch together some people to attend? We may have to improvise somewhat. Are we prepared to meet?

Mr. Villeneuve: I am.

The Vice-Chairman: I ask the chairman, then, if he can put together a program and notify you? If we are sitting then we may meet and we will notify you. Is that the consensus? Do you so move, Osie?

We have not set the fall agenda. This was given to you last week, as you recall. Does everyone have a copy of that?

The Ontario Science Centre, Civil Service Commission and then, suggested by members--economies in electronic data processing. I think Mr. Cousens said that it is a little premature at this point. Maybe we could stand that down until he has some more specific suggestions. But I think we could move with the liquor control board, the Ministry of Energy, internal audit project, government advertising and the Urban Transportation Development Corporation next fall. Do we have your blessing on that?

Mr. Cousens: Mr. Chairman, I sit and wonder at times because we have a report from the auditor about the UTDC that has answered many of the questions. Why have it again? I think there has been sufficient run on that one, so I move an amendment that we remove the UTDC from the fall agenda.

Mr. Cunningham: You don't want to talk about it?

Mr. Cousens: It is on the agenda for today and we did not get to it, but I do not see us spending time on it in the fall. There is enough there that I do not see the rationale for it, so I just made a motion.

The Vice-Chairman: Would you like to discuss the issue today?

Mr. Cousens: Mr. Chairman, again with all due respect, the next thing on the agenda prior to setting the fall agenda was number three, provincial auditor's report on audits of the UTDC. Now you jump from that to this.

The Vice-Chairman: Mr. Cousens, we were attempting to close now because there is no time for a full discussion. However, if you would like to have a full discussion, that is fair enough. I will leave it in the hands of the committee.

Mr. Cousens: The hands of the committee are in the hands of an agenda, a plan and a guideline. What I see happening here is movement around the issues.

The Vice-Chairman: Perhaps we could discuss it next week, Mr. Cousens?

Mr. Cousens: Discuss it next week then. If we are going to close off at 12 and we are going to be here next week, let us do it then.

The Vice-Chairman: Just so we cover all the contingencies: assuming we are here next week, we will suggest that we discuss this at that time. If we are not here, then it will come up in the fall. It may only take a five-minute discussion in the fall--

Mr. Cousens: (Inaudible) do all the work and not listen to him.

The Vice-Chairman: So all the members have the opportunity of satisfying themselves that there is something or nothing there. Can we have a motion to regularize this?

Mr. Villeneuve: I so move.

The Vice-Chairman: Do you want to withdraw your motion, Mr. Cousens?

Mr. Cousens: Yes.

The Vice-Chairman: Thank you very much, gentlemen and ladies.

The committee adjourned at 12:05 p.m.

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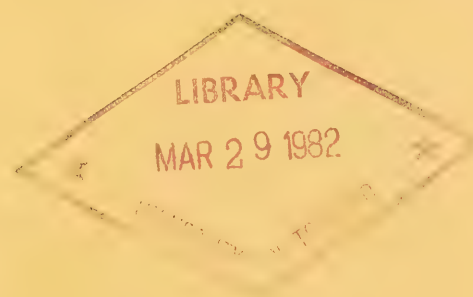
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Government
Publications

STANDING COMMITTEE ON PUBLIC ACCOUNTS

AUDITOR'S REPORT RE:
MANAGEMENT AND DELIVERY OF ENERGY CONSERVATION PROGRAM,
MINISTRY OF ENERGY

THURSDAY, OCTOBER 15, 1981



STANDING COMMITTEE ON PUBLIC ACCOUNTS

CHAIRMAN: Reid, T. P. (Rainy River L-Lab.)

VICE-CHAIRMAN: Peterson, D. R. (London Centre L)

Cousens, D. (York Centre PC)

Cunningham, E. G. (Wentworth North L)

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Pollock, J. (Hastings-Peterborough PC)

Sargent, E. C. (Grey-Bruce L)

Scrivener, M. (St. David PC)

Taylor, J. A. (Prince Edward-Lennox PC)

Villeneuve, O. F. (Stormont, Dundas and Glengarry PC)

Yakabuski, P. J. (Renfrew South PC)

Substitution:

Kolyn, A. (Lakeshore PC) for Mr. Pollock

Clerk: White, G.

Researcher: Vokes, M.

From the Ministry of Energy:

Thompson, G. R., Deputy Minister

Carl, D. E., Director, Energy Conservation Section, Conservation
and Renewable Energy Group

From the Office of the Provincial Auditor:

Scott, F. N., Provincial Auditor

Witnesses:

Rowan, M., President, Ontario Energy Corporation

LEGISLATURE OF ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday, October 15, 1981

The committee met at 10:15 a.m. in room No. 151.

AUDITOR'S REPORT RE:
MANAGEMENT AND DELIVERY OF ENERGY CONSERVATION PROGRAM,
MINISTRY OF ENERGY

Mr. Chairman: Gentlemen, we will come to order for our first meeting of this session.

Before we begin, I would like to introduce to the committee Ms. Margaret Vokes of the legislative research service who is replacing Martha Fletcher. Ms. Vokes has already done some very good work for the committee, a copy of which you have in regard to the St. Marys Clinic that we will be speaking about later on, as well as the briefing material for this morning's meeting. She is to the right of our clerk, Graham White, in case there is any concern. If you have any questions about the research material, you might direct them to her.

This morning we have a number of items on the agenda: the Urban Transportation Development Corporation and the Ministry of Energy. Also, I would like to discuss St. Marys Clinic matters. Because we have some people who have other duties, responsibilities and appointments later on this morning, with the concurrence of the committee I would like to begin the meeting by calling upon the people from the Ministry of Energy: Mr. Glenn Thompson, Deputy Minister of Energy; Mr. Douglas Carl, director of the energy conservation program; and Malcolm Rowan, the former deputy minister and the next president of Suncor, as I understand. Would you gentlemen like to take the seats at the end?

Mr. Thompson: Mr. Chairman, if I may, I would like to make some introductory remarks to the committee and then perhaps we can call on the other gentlemen. We have my remarks in printed form, which may be helpful to your secretaries and to yourselves when I am completed. It may be less distracting if I simply go through them. Then if you would like to have copies tabled, we would perhaps be able to use this document in part as relevant to our discussion here.

As an incoming deputy minister to a ministry that has been in an area with which I have not been familiar, it has certainly been useful to me to have the report of the provincial auditor for the year ended March 31, 1980, particularly those remarks about the energy conservation program, to help to direct my attention to a number of issues you have identified as requiring attention. As my predecessor, Malcolm Rowan, has said to the provincial auditor at various times, these exchanges have certainly been helpful within the ministry and have perhaps been helpful at times to the provincial audit staff as they have observed the development of an unusual type of ministry in terms of its form of delivery of service. I will say more about that later.

The provincial auditor made comments about such administrative and management matters as the need to report actual results relative to those proposed in our management-by-results format, the need formally to evaluate consultants' reports and to report on the status of their recommendations, and the need, generally, to formalize project review procedures. We have no basic disagreement with those recommendations. It is my duty as chief executive officer to ensure that the necessary policies and procedures are in place and that they are being implemented by line managers.

I am prepared to elaborate on these important aspects of the report in response to questions, but I would like to focus my opening remarks on the more complex issues raised by the report. There is a fundamental aspect of the Ministry of Energy which is perhaps not discussed in detail by the auditor but which underlies a number of the issues raised.

The Ministry of Energy should not be compared to a typical line operating ministry, such as Correctional Services, from whence I came. There are a great many differences, as I perceive them in my early days here. For the most part, we do not become involved in the direct program delivery business; therefore, we are substantially different in that respect. Rather, we work through other ministries to achieve that program delivery. We develop policy, research and plan projects and then attempt to work with the operating ministries and agencies, such as Ontario Hydro, in the development and delivery of them. There are certain difficulties inherent in this cross-ministry approach.

First, given the reality of government-wide budget and staff constraints, other ministries are hesitant to devote resources to our concerns until we can show them that we actually have the program dollars available for their particular interest. But the speed with which a program can be established and the timing and manner of its operations are very much dependent on the course of our negotiations with that other ministry and upon the resources which it is prepared to place upon the project. These are unknowns at the time the annual budget is being prepared by those other ministries. This has contributed to the underexpenditure situation noted by the auditor.

Secondly, working through other ministries instead of delivering ourselves makes project control, monitoring and review much more difficult. From the auditor's point of view, it is our money and so, ultimately, we are fully responsible. We accept that. But the reality is that the other ministry will be in control of the actual program implementation and spending.

An extreme example of the difficulties inherent in this approach is the Ontario government buildings project referred to by the auditor. In this case, the operating ministry, the Ministry of Government Services, must itself deal with a variety of other ministries--such as Correctional Services, which it did frequently on such programs--as the occupants of government buildings.

The provincial auditor recommended that the annual savings resulting from this program should be accompanied by an independent assurance as to the accuracy of the information. We have attempted to work this out with the Ministry of Government Services, but because it, in turn, must depend on reports from physical plant operations staffs of other ministries, its internal audit branch is at present unable to assure us that it will be able to provide that ironclad guarantee that it can deliver an audit on each of these programs in the way required by the auditor's report.

In the light of these difficulties, one might wonder why we persist in this approach to program delivery. The federal Department of Energy, Mines and Resources has chosen to go a different route with the establishment of regional offices and the engagement of 1,200 staff, I understand, for the purpose of direct program delivery, though probably not all of those are in the direct delivery business.

Mr. Sargent: How many?

Mr. Thompson: I understand it is 1,200 in total in that ministry.

Mr. Sargent: What the hell do they do with 1,200?

Mr. Thompson: Perhaps the delivery in a different format than our own reflects some of that. I think they may be moving to a direct service delivery model and that is what we would like to avoid.

This is an important consideration, but equally important is our desire to have good energy practices built into existing systems in all ministries and their client groups. For this latter reason particularly, we feel it is desirable to work through the other ministries. At the same time, I am of the view that the internal audit of the delivery ministry should be the responsible section for the review of the actual project delivery. Having seen this work in Correctional Services, or seen it capable of working, I would recommend to the committee that it consider that option.

With the foregoing in mind, I should like now to focus on some of the specific issues raised by the auditor. The first issue is that of underexpenditure, or, as was said in the report, "biting off more than one can chew." To an important extent the underexpenditure noted by the provincial auditor is contributed to by the program delivery method which I discussed earlier.

This ministry is not only operating in a rapidly changing field, energy, it is also attempting to do so under unusual administrative conditions. We feel that we are breaking new administrative ground in our efforts to work out with partner ministries adequate monitoring, review and accountability procedures. This process was in its early stages in fiscal 1979-80.

A major need has been to develop a sufficiently sophisticated and responsive calendarization process to enable us

to track expenditure flow closely enough that year-end shortfalls are avoided. We believe we have made some progress in this area. In fiscal 1980-81, the shortfall or underexpenditure in the energy conservation group, which was the principal area concerned with in this audit, was reduced from 25 per cent to 7.6 per cent.

Another factor which is referred to several times by the auditor and which contributes to underexpenditure is our staffing difficulty. Because of the nature of our work, which is largely program research, planning and development, and then monitoring and evaluation, we require an unusually high percentage of staff with a combination of abilities which is rare in the existing labour market.

First, we need staff with technical expertise in the rapidly unfolding field of energy. In some areas, there are very few people in the market with these skills, and for their services we must face competition from the private sector as well as other governments. In addition, we need staff who also have administrative and project development experience. This combination is extremely difficult to find and thus, even after we receive approval for a staff increase, it unfortunately takes many months of search oftentimes before we can find competent personnel to fill the positions.

This problem is likely to be with us for some time, although the number of people interested in the field of energy is certainly rapidly increasing, and we have staff in our ministry from universities, environment faculties and the like who are in training with us and who, not infrequently, want to take on staff positions subsequently.

Notwithstanding these problems, the ministry appears to have taken on additional responsibilities as noted by the provincial auditor. The energy field has been evolving so rapidly that in many cases this ministry has had no choice but to take on these new issues as they arose. I might note that the estimates committee and individual members have on a number of occasions indicated that the ministry should be taking on even more responsibilities than we have done so far.

A particular case in point is the Canada-Ontario agreement. This agreement arose from discussions with the federal government following an earlier agreement that the federal government would assume responsibility for research while the province would accept prime responsibility for demonstrations of new technology. Thus, the federal government proposed an arrangement for joint federal-provincial funding to a maximum of \$58 million for the development and demonstration of energy conservation and renewable energy technologies.

Had this province not agreed to take up the program with the federal government, the federal government would have undoubtedly moved into the program on their own, as they seem to be increasingly wanting to do these days. This appeared to be an unwelcome intrusion into provincial jurisdiction, and so it seemed only prudent to take up the offer. As it happened, this province was sufficiently advanced in its own work in the field of energy that the proposal fitted in very well with our own plans.

In spite of our staffing and other problems, this ministry has taken considerable advantage of the Canada-Ontario agreement. The auditor's report notes a recovery in the first year of only \$14,000. The figure for the following fiscal year, I might note, is \$1.4 million. I also note that the way in which this agreement is structured requires Ontario actually to have incurred an expense before it can be recovered from the federal government. Thus, when I quote you the figure \$1.4 million for the first fiscal year after the making of the agreement, I am actually talking about an expenditure of \$2.8 million. That is by the ministry. The recoveries, of course, do not come to us.

10:30 a.m.

At the present time, we have 39 active projects committing approximately \$13 million, and 32 of these projects have been formally approved by the federal-provincial management committee. These demonstration projects will contribute significantly to the reduction in Ontario's dependence on crude oil in all sectors.

The auditor has noted in his report that staff of the conservation and renewable energy group were diligent and keenly interested in the success of the energy conservation and renewable energy programs. I cannot rule out the possibility that this diligence and keen interest has led staff on occasion to attempt to develop more programs than were actually capable of being brought on stream. However, I would say, in a value-for-money sense, better to hire carefully for those programs than to recruit indiscriminately simply to utilize those dollars that were in our budget. So I must say I am happy that their diligence and interest was combined with some prudence in the way they recruited against those dollars.

In terms of measuring effectiveness, a second area to which the auditor drew our attention, we concur with the auditor's observations that it is extremely difficult to measure the effectiveness of energy conservation programs in that changes in consumption of energy may be due to a variety of factors other than activities of the government. This was recognized when the program was established because its goal has always been described as to contribute to the reduction of energy consumption rather than to be responsible for the entire reduction.

We recognized that we were operating in a world in which many other factors were at work, such as price setting by OPEC, price setting by the federal government, federal programs themselves, the activities of many groups and individuals based upon their perceptions of the world and its energy problems. We therefore agree that rather than measure the effectiveness of the program as a whole in terms of overall results in the economy, we must measure individual projects on the basis of their goals set out in management-by-results documents.

At the same time, we must continue both to set and update goals for energy consumption in varying sectors of the economy, and this the ministry is continuing to do. I have with me, and will distribute with the text of this document, a one-page summary

of the energy security targets announced by our minister in October 1980. I am sure the members here will have seen energy security documents that were published earlier which seemed to me to be an excellent integration of federal goals for energy in Canada and provincial goals, and then delivery methods on which the ministry could take action. I think the framework is a very useful one.

A third point the provincial auditor made was project expenditures not related to sector needs. The auditor has pointed out that the distribution of our project expenditures over the different economic sectors is not in proportion to oil and gas consumption in those sectors. In this respect, the emphasis of the ministry on conservation in commercial buildings has been questioned because the commercial sector is far from being the largest user of crude oil.

The decision to concentrate to a considerable extent on the commercial sector was a matter of deliberate government policy. The intention was to reap the benefit of savings in an area ignored by federal programs, in which savings in the government's operating budget could be achieved relatively quickly, and also to set a leadership example to the private sector.

In terms of the reduction of the use of crude oil, it is not sufficient to determine merely which economic sectors use the largest amount. Rather, the more important question is, where are the best opportunities to effect the conservation of energy? As it happens, the commercial sector offered some of those best opportunities. In terms of beginning an energy conservation program and showing quick results in order to provide an example to the private sector, some sectors were more amenable to rapid implementation than were others.

In the commercial sector, existing knowledge and technology were adequate for the purpose of effecting significant savings and, by contrast, in the much larger transportation sector a great many research, planning and demonstration projects remain to be done before we are in a position to effect significant savings in the amount of crude oil used. An example of our efforts in this regard is the ministry's alternative transportation fuels program, which is a very large five-year program designed to develop and prove technologies and distribution systems for alternative transportation fuels.

I would offer the committee as well a comment, when we have completed this, on the the changing nature of our expenditures on different sectors over the last two or three years. They have changed significantly, and as we have got a footing in some of these areas, we have moved to some of the other sectors that were mentioned by the auditor at the time.

Reporting all energy expenditures in the Ministry of Energy accounts was another proposal by the auditor. The ministry agrees in principle with the desirability of all government energy conservation expenditures being charged to the Ministry of Energy. This has the merits of consistency in disclosure in the public

accounts and also facilitates the cross-government planning and the setting of priorities. Unfortunately, however, this desirable goal is virtually impossible to achieve in our view and perhaps should not even be attempted. I say this because part of our goal is to build good energy practices into a vast number of decisions made in different parts of the government.

Many of these decisions are extremely difficult to quantify. For example, one might consider a program whose objective is to select and operate a vehicle fleet or to fund the building of structures. The first question is whether it is possible to break out of that program expenditure the precise amounts which relate to energy use considerations and energy conservation considerations.

In designing a building, for example, many measures can be taken which will lead to energy efficiency, and we will have achieved our goal if such measures are incorporated into the design of the plans. It is very difficult at the same time to identify the precise number of dollars that are going to be saved by such a program or, indeed, that were extended in that design and development. The question I would raise is, is it desirable for people in such circumstances to have to try to seek separate funding for such programs through a ministry such as ours and further complicate the budget planning process?

A fifth item raised by the auditor was the Heat Save program, which I am sure most of you, if not all, will have heard about. It relates to thermography and the home energy auditing projects which we operate. The auditor focused considerable attention on the ministry's program which we now call Heat Save. I would like to deal with his specific concern that there is duplication between this program and existing federal programs. Then I would like to look at the question of program duplication in general terms.

The Heat Save program evolved from a series of pilot projects. One of these projects involved some use of the federal government's Enersave home questionnaire. Superficially, it would appear that our program and the federal Enersave program both do the same job, that of helping the home owner to identify where home energy conservation improvements can be made.

In fact, the provincial Heat Save program has developed far beyond the federal program and is, we believe, considerably more effective in attracting public attention and leading to significant results. The key to the success of our program is in providing home owners with personal information on their own buildings, together with counselling as to methods of rectifying their specific concerns.

The federal program involves the home owner completing and mailing a questionnaire and eventually receiving generalized computer-printed results by mail. The provincial program is centred on the Heat Save clinic held in individual communities. One was recently in Thunder Bay which some of you may be aware of. It involves a personalized home energy audit manually completed

during the person's visit to the clinic. People are attracted to the clinic by the prospect of seeing the thermogram, which is an air photo of the homes in the community and which reflects, to some extent, their heat loss.

Prior to each clinic, Heat Save project staff visit the community to determine local labour and material costs in order to provide accurate payback analysis of the costs of any retrofitting that is undertaken by the home owner. Use of a local partner, usually the public utility, lends further credibility to the clinic. It is interesting to note that in the 11 communities in which Heat Save clinics were held in 1980-81, attendance ranged between 34 per cent and 65 per cent of all home owners, which was really quite remarkable, we thought.

In brief, our program goes well beyond the capabilities of the federal program and is more effective in directly reaching people in their own communities. Furthermore, the Heat Save program is complementary to federal programs such as the Canadian home insulation program--CHIP--and the Canadian oil substitution program, which you hear described as COSP, because it enables people to determine their needs, whereupon they can turn to these federal programs to obtain funding assistance to correct the disabilities in their homes.

10:40 a.m.

I would now like to turn to the wider implications of the issue raised by the auditor because we are finding an increasing tendency on the part of the federal government to move in a significant way into areas of energy activity which appear to us to lie within the provincial jurisdiction. It is common knowledge that the federal government is seeking a more direct public recognition for its program expenditures, but I believe it is not so well known that the federal government appears at the same time to be intruding into provincial jurisdiction.

How should the province respond to this kind of situation? Some years ago the province began its work in the field covered by Heat Save. If the federal government now comes along and offers to put a great deal of money into the field and proposes to provide its own infrastructure for administering a similar program, should the province thereupon withdraw from that field of activity? We believe, of course, that we should attempt to work with the federal programmers and that they should attempt to co-ordinate their programs so that they complement rather than duplicate each other.

Federal energy conservation programs are almost intrinsically less effective because they are designed for the broader context of Canada as a whole and thus are less directed to meet specific provincial and area needs. This has been the case with both CHIP and COSP, which are adversely affected in their impact by their failure to recognize regional differences. When the federal government attempts to tune such programs to local needs, the result is often confusion and less effective program delivery.

In some senses, we have been doing our job in the energy field provincially here almost too well. Ontario's clear leadership in energy initiatives has resulted in the federal government adopting our policies, our programs and our strategic thrusts in considerable measure and then adapting them to the more general Canadian scene. This has become particularly evident in the fields of housing, transportation and municipal energy management. At the same time as they undertake those programs, we find, of course, that they then cause a duplication with many of ours.

I am afraid I must leave you with no direct proposals on this particular problem situation since I think it is likely to--

Mr. Peterson: As long as you are better than the feds, it's all right.

Mr. Thompson: --increase in the near future rather than decrease.

As noted, we disagree with the provincial auditor's specific interpretation of the Heat Save program, but we say, on the other hand, that he has identified in general terms the most serious problem for the Legislature's consideration.

Thank you, Mr. Chairman. Of course, I am ready to respond to questions. As you have indicated, Mr. Rowan and Mr. Carl, who are principals involved in this document, are here to deal with those questions as well.

Mr. Chairman: Thank you very much, Mr. Thompson. That was quite a comprehensive response and the committee appreciates it. Perhaps Mr. Rowan and Mr. Carl would like to join you at the table. Mr. Cousens, you have some questions?

Mr. Cousens: I have just one question, Mr. Chairman. It has to do with the management of the ministry. We talk about energy management, but the underlying concern that comes from the auditor's report is that there is a considerable amount of poor management. Maybe you could comment on the quality of running the ministry. When you talk about energy management, that's one thing, but when you are talking about management by results I see some of the gaps, the seeming lack of co-operation from other ministries, the lack of co-ordination, the difficulty in arranging things to happen the way they should, and to me that has to do with the way your people are running the ministry. To what extent are you looking at the practice of training good managers?

Mr. Thompson: A great deal has happened in the period of time since this document was written and the period under scrutiny. I would reflect on the fact that the ministry was growing extremely rapidly during that time period, both in terms of staff and programs. The interpretation required with other ministries and with recipient funding was a very complicated matter.

I think we have done a great deal in that period of time to work more closely with other ministries. While that is not always a smooth relationship--obviously, they would like in many instances to get all of the credit for the energy programs which they deliver, yet we have to share those kinds of credits and developmental activities--at the same time, I think there has been a great deal done as evidenced by some of the goals achieved in Correctional Services. The savings in our buildings alone ran to about \$4 million over a three-year period, largely because of good work in the conservation part of that ministry and by enlisting the support of people like the men who operate the heating plants at institutions and who interpret to their staff what it is they can do to save energy. While there were fundamental issues raised in the documents, much has been done to improve on those situations.

Mr. Cousens: Just a follow-on, do you have management training courses and development? What has happened is it is a fast-growing area and you are doing a lot. But, at the same time, you are requiring people to manage the resources, the staff and their functions. The underlying concern I have from the auditor is that that problem still could exist there. To what extent are you addressing the very important aspect of developing the skills of managing your people and your resources?

Mr. Thompson: The sense I have, since arriving in the ministry, is that we need to do more in that area, and that certainly does not reflect that a great deal has not been done. But I would like to see the senior ministry staff, who, by and large, are people from the private sector and are not immersed in governmental regulation and requirements, have more assistance as they arrive on the scene and, indeed, more assistance for those individuals who are presently in the ministry itself. I have taken steps to begin such programs.

I am not sure also that we do not need to address something that the ministry took up at an earlier stage with the management board, namely, to address again the need for additional in-house assistance in the planning and administrative area. We were not successful in our last overture on that count to management board, but it is my view that we should try it again in that area, not to assume in our own ministry the responsibility for all administrative, personnel and other activities, but I think we need senior people in the personnel area and in the program administration area who do know a lot about government financial policy and who can be the interpreter to new staff as they come along and trainers on the job. The kind of training that is needed is not a go-away-and-be-trained proposition, but rather in assistance as one is developing new programs and projects. We can do more in that area in future.

Mr. Cousens: Just a final comment. There might be something that our committee is able to support through our recommendations. That is money well spent if you are being thwarted in the developmental process of good people running a ministry, but not getting the funding when you should have it. Certainly it has long-term effects in the implementation of the projects that we have to do. Thank you.

Mr. Foulds: I have a couple of questions. When you say you are not a line ministry, I think I understand what you mean. But you have a lot of line agencies and these are not addressed in the report. Could you be more specific about the relationship of the agencies directly under your jurisdiction to the ministry and your relationship with the delivery program. I tried to follow you orally, but I do not have a great oral memory. As I tried to follow you, you were a bit vague on that. I wonder if you could be more specific.

Mr. Thompson: The linkage to large organizations, such as Ontario Hydro, would be somewhat different to the linkage to small ministries. It depends really on what kind of internal structure and capacity they have to pick up some of these programs. That really determines, in large part, how much work our staff can produce. The Hydro organization has enormous internal capabilities to understand and develop the kinds of programs we are talking about. So in some of the residential Energy assistance programs, they have been able to pick up and go with that program and they are the trainers of the municipal public utilities commission people, who are then, in turn, going out to the home owner.

To that extent, it is a relatively easy process once a large organization like that comes on board and gets down to business, whereas in smaller ministries they often have their nose to the windshield delivering whatever program they are up to. Energy management certainly is probably not the thing on the top burner and certainly was not in many of the prisons in the province, but as people began to have that interpreted to them, in view of the importance of it and, indeed, the money they would be able to save, they became quite intrigued with it and did a great deal on the line to get on with it.

Mr. Foulds: You are former deputy in Correctional Services.

Mr. Thompson: That is right.

Mr. Foulds: What saving did you have?

Mr. Thompson: It ran to about \$3 or \$4 million over a three-year period.

10:50 a.m.

Mr. Foulds: Under a budget, a plan or what?

Mr. Chairman: Did you issue all the inmates with longjohns?

Mr. Thompson: No. We did reduce the temperature in buildings and so on. The total budget of the ministry last year was \$162 million. I do not have the heating budget at my fingertips, but it is a very substantial one in terms of fuel oil and gas.

Mr. Foulds: In terms of the ministry's relationship with other ministries, do you see yourself as being, say, parallel to the Ministry of Northern Affairs?

Mr. Thompson: In size and delivery through other organizations, yes. In fact, I have been talking to the deputy minister in that ministry to get a sense of how they deal with some of these very problems we are talking about here this morning. They obviously have many similar needs and difficulties to overcome as they deliver through agencies and along with MTC and its planning staff. There are certain similarities between these small organizations.

Mr. Foulds: Can you give us some examples of what you see as similarities specifically?

Mr. Thompson: For example, in my discussions with their staff, they have developed to a greater extent than we have some of those in-house administrative and personnel supports without trying to do everything themselves. So I am, at this point, inclined towards that model more than I am towards trying to have all of those services in-house in a tiny ministry such as Energy. That would probably be unnecessary and duplicative and so on. But we lack what I felt I had at my right and left elbows in Correctional Services, a very senior person in administration and finance and a very senior person in personnel. Indeed, similar people were out in the regional offices and institutions in that structure, so that each manager, if his background did not happen to be finance particularly, had someone there with the competence to advise, train and develop the person's skills.

Mr. Foulds: Are you hoping to add that in Energy?

Mr. Thompson: Yes. That was the comment I was reflecting on.

Mr. Foulds: It is unusual to have a ministry criticized for not spending enough of its budget. Was there, in your view, an attempt to overexpand the ministry too quickly?

Mr. Thompson: In the comments I made, the enthusiasm of the staff and the pressure on them to develop new programs in terms of that federal \$58 million program was certainly creating a great deal of momentum in hiring staff to get on with some of these new things. The staff we have are akin to some of the best staff I had in Correctional Services and are more anxious to develop things rapidly than they may be capable all the time of bringing on resources to do that. I guess that is a happy position to some extent for a chief executive officer, but one that requires some careful knitting together of the organization so that people do not overextend themselves. It is a difficult balance.

Mr. Foulds: My question is more one of how did Energy manage to get the approval of all these additional positions? You do not do that internally. That has to be either a cabinet decision or a management board decision. You got that approval. You were not able to fill the position. Having gone through the ministry's estimates, as the Energy critic, I understand some of the difficulties in hiring. But is there a legitimate criticism that the ministry tried to expand itself too quickly, that it was of an imperialistic nature?

Mr. Thompson: No. I would not accept that, sir.

Mr. Foulds: I did not expect it.

Mr. Thompson: I do not think there was any attempt to build an empire, but rather to take to cabinet recommendations for programs that would deliver on objectives that are in documents, such as these energy security ones that I was describing earlier. Then the ability to find the staff fast enough just did not materialize. I guess the options were to hire people less than adequate. For my own part, the people chose the course of not diving in in terms of hiring people who might have then not spent the money very well at all.

Mr. Foulds: You would run into the subsequent difficulty of perhaps having an inadequate staff and then finding it difficult to ease up.

Mr. Thompson: Oh, yes, indeed. We are blessed with an excellent staff in the ministry. That kind of recruitment process has obviously taken a lot of time, to our great benefit, I think. Obviously that was out of sync with the capacity to deliver.

Mr. Foulds: I just have one follow-up question. You talked about the Canada-Ontario agreement. Is that the Canada-Ontario conservation agreement? You are not talking about the waste management agreement?

Mr. Thompson: No, but I will defer to Mr. Carl, if I may on that, to be sure that the precise description of the agreement is given to you.

Mr. Carl: The Canada-Ontario agreement refers to promising technologies in the field of energy conservation and renewable energy development. This agreement is a jointly funded program, 50 per cent by the province and 50 per cent by the federal government. It is a five-year program overall with a total funding of \$58 million.

My deputy in his opening remarks made reference to the fact that while it appeared to the auditor we were starting that program slowly, and in fact that was true for a variety of reasons, it is now accelerating rapidly towards our target. We are particularly pleased that it has fitted very well into our other programming in the sense of being able to complement the energy initiatives in the province by bringing into focus a wide variety in all sectors of new technologies that are just interfacing with the marketplace that have dramatic potential to accomplish energy savings and introduce a wide variety of substitutions for oil consumption within Ontario and, indeed, all of Canada.

Mr. Foulds: Would you say that that is your major thrust now?

Mr. Carl: No, I would not want to put it quite that way. It is a major part of our activity but it is a separate activity from the interministerial programs that we operate within Ontario.

Mr. Foulds: I am not quite sure I followed the argument for pursuing the concentration on the commercial sector so quickly, where it did not appear to be the one that ultimately gave you the most payback.

Mr. Thompson: I would say it was one that staff thought was the quickest to deliver on, the most capable of putting something in place fastest and showing outside industry, through our own operations within government, that something could be done. Obviously, that area, in comparison to our total budget, was shaved back over time and other areas came on stream. I am looking at a pie chart here which compared that year with 1981-82 and shows quite a difference in the balancing of the budget spent on those different sectors. Mr. Carl is going to speak to that.

Mr. Carl: Yes, just briefly. For example, in 1979-80, with respect to the auditor's report, it is true that some 71 per cent of the energy conservation budget was devoted to energy conservation. A major fraction of that, 61 per cent in fact, was to go to the Ministry of Government Services joint program for energy conservation within Ontario government buildings.

There are two advantages that were identified for focusing on that program. The first was that there were great opportunities within the Ontario government to conserve energy, which has an impact on the operating costs for the government directly. Secondly, and in some respects equally important, it clearly established the Ontario government as a leader in the area and in the field of energy conservation.

I think there have been a number of studies done throughout North America, including some that we have been involved in, that measure the attitudes of people to this whole area of energy conservation and the so-called energy crisis generally. There is absolutely no question that people can only develop a commitment to sound energy management if they feel that others are doing the same thing.

So this opportunity to take a two-fold approach in a sector where the opportunities were immediate, where the savings were very significant and, at the same time, establish the commitment of this government in the area of energy conservation made great sense to us. Looking now at the current year, where our commercial sector percentage is down from 71 per cent of our total conservation budget to about 39 per cent, I simply suggest we have now been unfolding energy conservation, energy management and, in particular, oil substitution opportunities in other sectors.

11 a.m.

Mr. Foulds: Just one last question on the Heat Save program. Who comes in that 35 to 60 per cent, what kind of home owners?

Mr. Carl: In general, home owners who are generally aware of some level of inadequacy in their houses, which is basically a subjective estimate of their current heating costs and growth in heating costs. I have some very recent figures that are

of interest. To date, since the fall of 1980 and including the original pilot projects which the auditor was aware of, some 64,000 individual home owners in the province have been directly serviced by our Heat Save program.

Mr. Foulds: What I was trying to get at is, are you really hitting the homes that need it, or are they, by and large, literate, middle-class people who already have fairly well insulated homes?

Mr. Carl: I cannot give you accurate figures on distribution. I do know, however, that our clinics have attracted high levels of lower-income and ethnic populations who, by virtue of having been exposed to the publicity for this program in the ethnic media, have found a focus to our Heat Save program to get accurate, direct, local advice that is very meaningful to them. I think we have done better service there than--

Mr. Foulds: Do you get many landlords, many people who own apartment buildings?

Mr. Carl: No, we don't. These are basically private homes.

Mr. Foulds: Just private, residential.

Mr. Carl: When we do the area thermogram surveys, we delineate from that data strictly for individual residences. We will get landlords for individual houses or even tenants.

Mr. Chairman: How many were at the Thunder Bay meeting?

Mr. Carl: We had a turnout in Thunder Bay which was just completed--it was our first project this year--of 37 per cent of all home owners in Thunder Bay. In terms of numbers, it was about 11,000 homes.

Mr. Foulds: That went on for two weeks, did it not?

Mr. Carl: Yes, two weeks in two different clinic locations.

Mr. Chairman: Mr. Peterson and Mr. Foulds, for that matter, would like to know how to get that many people out.

Mr. Yakabuski: I would just ask a supplementary in this case about how many people at the Thunder Bay meeting could be accommodated at any given time. You said 11,000 attended, so there would have to be sizeable groups at each sitting or whatever.

Mr. Carl: Those 11,000 people were distributed over two different clinics over two weeks. In total, we had four clinic weeks available.

The clinics are staffed both by our own project management people from within the ministry and staff that are put on board by our local partner, which in the case of Thunder Bay was Thunder Bay Hydro, the local electrical utility. We staff those clinics so

that we can handle at any given time the numbers of people that are consistent with the floor space available in the clinic. I am not sure about Thunder Bay, but in the past we have actually had people lined up on the street, waiting to get in the door.

It is a continuous flow process. You do not do it in workshop settings; it is a continuous process of people coming in.

Mr. Yakabuski: And you would have to stay for a given length of time if you were to absorb all this.

Mr. Carl: The first step is to obtain the thermogram of your particular home. That identification is made right at the registration table. Then you are assigned to a counsellor who reviews that obvious information from the thermogram. Then will evolve a discussion of other potential problems in the home: air infiltration, wall and basement insulation problems, those kinds of things. It is very specific, direct advice for individual problems.

Mr. Yakabuski: Was it the federal people who sent around to all home owners--maybe they came through the post office in a walk--a form they completed regarding their home? Then they put these into a computer and the computer told them what they thought was required to make their home much more energy saving.

Mr. Yakabuski: That is true. Was that ours or Ottawa's?

Mr. Carl: The program you are referring to is Ottawa's. It is the federal Enersave program, which is still available. I am not aware that they ever did a universal delivery of those forms, but they certainly made them available in a variety of fashions.

That is a fairly superficial kind of audit. It is more of an awareness tool than anything else in the sense that it gives the home owner the opportunity to fill out some very basic information which is then loaded into a universalized and quite generalized computer program to feed back some prioritized energy conservation opportunities to the home owner.

In our evaluation of that program, we certainly would not say it is without value, but it has not been widely used by the public, partly because of the difficulty in filling in some of the information and partly because it is a very impersonalized kind of process. The computer printout that comes back is often difficult to interpret for many people and the information that it provides is not really specific.

Mr. Yakabuski: Would you say then that if I attended one of those clinics such as you had in Thunder Bay I would get a better picture of what my home needed to effect some real savings?

Mr. Carl: Yes, indeed so. One of the things we attempt to do with these day clinics, and I think quite successfully, is that in our preclinic promotion and publicity programs we ask home owners to gather together some basic information--their last year's heating bills, for example--and if they can, get some

estimate of the insulation that is presently in their house, particularly in the attic, and bring that to the clinic with them. That gives our counsellors the opportunity to address very specifically the conditions of that particular home.

We do a lot of local community work beforehand in terms of measuring the energy supply prices in that community, the kinds of contractors who are available to do work and so on, so that we can give those local home owners very accurate assessments of paybacks on investments that they might make in retrofit activity. That is the primary value of the program because it relates directly to people's pocketbooks.

Mr. Yakabuski: I will follow up on Mr. Foulds' question. In those clinics, have you any way of telling or any device which would tell you the number of people, let us say, who are of middle income and who have a home that is fairly well insulated today and also some of those who are in lower-classed homes, you could call them, that probably require more than the average home? Are you getting those people into the clinic?

Mr. Carl: Yes. First of all, we have oriented the delivery schedule of Heat Save towards those communities where the housing stock is generally older and therefore in most need of retrofit activity. Secondly, the attendance we have had at clinics has been high in proportion of people who have older houses and who are aware that they have the greatest need for retrofit activity.

Mr. Yakabuski: What brings them to these clinics? Is it the high cost of energy today, whether it be oil, electricity or whatever?

Mr. Carl: Yes, very much so.

Mr. Yakabuski: Can they see their bill increasing almost every billing? Is that the incentive to get them to these clinics?

Mr. Carl: I think so. There is a general awareness among the public that energy costs are rising very rapidly. People do see that with their energy bills and, as well, people are increasingly aware that there is a need to engage in upgrading activities in order to protect against future cost increases.

We also do a very active job of local community promotion of the program in advance, and the thermograms we use, the aerial, infrared, camera surveys, have a great level of attraction for people as well. To be able to come in and see a heat picture of their specific house has been a major drawing card for the program.

Mr. Chairman: We seem to be straying from the numbers into the philosophy of the program.

11:10 a.m.

Mr. Yakabuski: I have just one windup question, Mr. Chairman.

They concentrated for some time on commercial and government buildings. They have had considerable success in this area because they did concentrate. I think there an area that really needs a hard look at is the area of public housing in this province, whether it be in Metro or whether it be in other communities. I think there is a callous disregard very often for energy or the cost of energy because in most instances in public housing it is thrown in with the rent.

Have you people worked anything out with the Ministry of Housing to take a real good hard look at what is going on in public housing in so far as heat and energy savings are concerned? I think it is very important.

Mr. Carl: Yes, indeed we have. We have a very active program in conjunction with the Ministry of Housing, what we call HEMP, housing energy management program. Much of the project work and funding under that joint program is directed towards the field of public housing, assisted housing, in terms of identifying the specific energy problems that exist in those structures and the technologies that can be used to dramatically improve energy management there.

Ontario Housing Corporation, for example, operates a major portion of that joint program, specifically within the buildings it owns and manages. I think we have had some very notable successes in areas such as infiltration losses, insulation retrofitting and, more recently, energy management techniques, which involve a variety of emerging technologies that will serve to optimize and at the same time minimize the use of energy in such buildings.

Mr. Yakabuski: Is there an ongoing educational program?

Mr. Carl: Yes. That is at the front end of the staging that Housing is working to bring forward, more so within its own ministry now than with us. They have held very successfully a series of educational seminars with building operators and managers within the Ontario Housing Corporation. They are hoping to expand that program so that they can bring all these people into energy awareness.

Mr. Chairman: I have Mr. Sargent next. I would just like to follow up on the thermography. How are you measuring what actually happens? You have somebody come into the clinic and you have somebody there say: "You do this or you do that. It is going to cost you X number of dollars. Here is a contractor or there is a range of contractors that will do it." Do you have any system of measuring how many people actually go out and do this and take your advice, how much they spend and how much oil consumption is presumably saved?

Mr. Carl: Yes, we do. We have a monitoring program in place that has evolved through several stages and is now in a tracking process for the cities that have been recipients of the Heat Save program in the past fiscal year, to make an assessment of those people who actually have invested in energy conservation retrofitting activities as a result of their visits to the clinic. That is part of our program review and evaluation technique.

Mr. Chairman: You don't have any such figures now, I take it.

Mr. Carl: I am sorry I do not. I can certainly get them.

Mr. Chairman: How do you go about that? Is it by questionnaires or follow-up to questionnaires or phone calls?

Mr. Carl: Yes. It is generally a telephone survey conducted with home owners who are known to have visited the clinic if we are able to identify them.

Mr. Chairman: Are they all phoned or is it just on a selective basis?

Mr. Carl: The major part of it is a telephone survey. It is based on a sampling, a statistical model for sampling. There are other aspects to that program that I am not really in a position to identify at the moment. The telephone survey monitors the basic activities.

Mr. Chairman: It seems to me that is the essence of the whole thing because you can have 11,000 people show up in Thunder Bay and maybe 1,000 actually do something about it. When will those statistics be available?

Mr. Carl: We have some statistics from the first surveys that are available now and I would be happy to obtain them for you. We are now just in the process of putting into place the monitoring program for the cities that was delivered in last year's phase of the program.

Mr. Chairman: Mr. Carl and gentlemen, the impression one gets from reading the auditor's comments is that all of these things have not been thought through or planned as well as they might be. What you are telling me is that part of really measuring the results of a program seems to be up there in the air somehow. If there is no follow-up or not a valid follow-up, then you do not know and you cannot tell how efficient or effective your program has been.

Is there any co-ordination with the feds on this? They send out a questionnaire which, I gather, you people do not think a great deal of. How do you measure the reaction to your program, or can you measure the reaction to your program, as opposed to the federal program? Are we all chasing our tails in this matter and both trying to elbow each other out of the way? How do you compare the effectiveness of yours, for instance, with theirs?

Mr. Carl: It is obvious to us that there are significant differences in the deliverable components of our Heat Save program as opposed to the federal Enersave program. We continually ask the federal element for statistics on the take-up of programs like Enersave and CHIP, but we do not get them. Sometimes they are not available and sometimes they are simply reluctant to give them to us. We have made some attempt in one or two of our previous Heat Save operations to talk to people about whether they have made use of the Enersave questionnaire.

In the first pilot project, we used the Enersave questionnaire as part of our delivery mechanism for the Heat Save project and we quickly found that the handling of that questionnaire, both for the home owner and after it got sent off for computer processing, just turned out to have a very low level impact on a home owner because it took the personalizing out of the whole thing.

So the program that we have evolved to now, since this 1979-80 examination by the auditor, is really much different. We now orientate the specific community kind of information which has a high level of credibility among home owners.

Mr. Chairman: I do not mean this to be a gratuitous comment, but there is a great deal of confusion in the public mind as to who is doing what. If you have an ad in the paper on Monday about the federal program, on Tuesday you have a clinic run by the province and on Wednesday Ontario Hydro comes out with something else, which happens, then people sort of throw up their hands and say, "What the hell is going on and whom do I go to?"

I have people come to me and say, "What about this program?" I say, "That is federal. See this person." They have been to that person and he says, "You should see the province." The province sometimes says, "You should see Hydro." It just does not seem to be a very efficient way of going about the whole thing.

Mr. Carl: I do not think the comment is a gratuitous one at all because it is one which we live with daily in our operations and it is something we are very concerned about. I have to suggest to you that if the federal government were willing to deliver its energy programs in conjunction with the province's, as opposed to going directly to client groups, much of the problem of confusion and the explosion of information that exists in people would be eliminated.

I would also suggest that when you look at specific programs, we have made a very concentrated effort to avoid direct duplication or overlap with federal programs, but you cannot tell that from all of the pamphlets, information and so on that are flowing around the country. Ontario Hydro is a very valuable actor in the energy conservation field in this province. HUDAC is another one. They have specific areas of expertise and specific client groups that they can deal very effectively with. We work closely with those people. We attempt to work closely with the federal government, but unfortunately that does not work very well because of its increasing determination there to go direct to the public.

11:20 a.m.

Mr. Chairman: Mr. Sargent is next, but I would just like to make a request of you, that you send to the committee the results of your monitoring of the number of people who have made use of the program and perhaps even a short description of the monitoring process that you have.

Mr. Sargent: Mr. Chairman, if I may, I would like to talk to the man who runs the store, Mr. Rowan, if he wants to answer some questions. I have asked the minister in the House many times some questions on Hydro and he does not know any answers. Do you want to talk about Hydro for a few minutes? Is that under you?

Mr. Chairman: Mr. Sargent, with respect, that is not the topic under consideration this morning.

Mr. Sargent: I am sorry. Who is Hydro under? Is it Energy?

Mr. Rowan: The minister is responsible for the administration of the Power Corporation Act.

Mr. Sargent: Who runs that for him?

Mr. Rowan: Hugh Macaulay is the chairman.

Mr. Sargent: I cannot ask you questions then.

Mr. Chairman: I would prefer if you would deal with the matter under consideration this morning.

Mr. Sargent: You remind me of the farmer who had the two windmills. He did not have enough wind to blow both so he took one down. What the hell are we talking about here?

Mr. Chairman: We are talking about section 2.7 of the auditor's report.

Mr. Foulds: I am sure we can find a reference to windmills in there.

Mr. Chairman: Does anybody else have anything? Could I go back to the first paragraph of the auditor's report? There was a substantial underexpenditure. As has already been pointed out, this is a matter we do not usually deal with; we usually have a problem with overexpenditure. But in the energy conservation program, you have spent about 10 per cent less than the estimate. The estimate was a little over \$17.5 million and you spent about \$15.8 million. For the renewable energy program you spent substantially less, somewhere over \$2 million less.

What were those programs which were not carried out? Why kind of priority did they have? You have indicated, Mr. Thompson, that the underexpenditure was due partly, at least, to the fact that for a while there you could not get the staff, and when you got the authority to get the staff, those bodies were not available. What were the programs that were not proceeded with and what priority did they have?

If I could ask another one at the same time, where did you get the bodies to staff the Ministry of Energy? You indicated the universities, but I am presuming that you must have also, for want of a better word, stolen or bought a lot of people from the private sector. I wonder what kind of impact that has on the rest

of the world out there. If you are taking the few experts that there are around, your program might be counterproductive. If you are taking somebody from a corporation, for instance, who is an expert in energy or energy conservation, presumably there are not too many people to fill that spot. Where does that leave the private sector or the rest of the world that is spending most of the money on energy?

Mr. Thompson: Maybe I can address myself to that first page of the document. First, in the case of the \$17.2 million and the \$12.5 million, as the auditor notes in the subsequent paragraph, the differential is reduced somewhat by funds that were constrained. As I make it, we spent about 83 per cent of the money budgeted in those three years in the conservation area.

I will go to the other question for a moment, and then I will ask Mr. Carl to comment. Probably the size of our ministry is so small, relatively speaking, that we are not substantially cutting into the number of people who are out on the market except in very specific kinds of knowledge areas. Mr. Carl can probably refer to those, but I do not think there are too many people who have knowledge, for example, in inventions in the windpower area, and yet we need to look at some of those very unusual sectors. But in the oil and gas areas, of course, our problem is much more one of competition salary-wise with industry, which is capable of paying a great deal more for people. The recruitment problems are somewhat different from area to area of the ministry, and that should be kept in mind to some extent.

Mr. Carl: Apart from the staffing issue, which is really only a part of the underexpenditure problem in the energy conservation program, it might be helpful to look at the three recorded years individually there in a percentage underspending kind of way because you will notice in 1978-79 and 1979-80 the underexpenditures in both of those years were somewhat more than the 20 per cent range. If you look at the 1980-81 figures, where the budget was more than double, the underexpenditure falls to only 7.6 per cent.

It is important to understand that the major part of this has happened as a result of the evolution of these joint venture arrangements with operating ministries, like the Ministry of Housing, the Ministry of Transportation and Communications and so on, where in the early stages we sat down with those people and identified that there were energy needs in those sectors which needed to be dealt with, where the operating ministry was the right agent to handle deliver, in terms of planning group relationships and so on. It took a long time to evolve working relationships because we were breaking new ground in terms of administrative procedures and a lot of joint planning. We were potentially taking policy responsibility in terms of setting goals, targets and so on.

In those early stages in our estimate process, we identified plans to undertake projects within those sectors, if we take transportation as an example, and secured the funding to do that. Then when we began this iterative process with the Ministry of Transportation and Communications. By the time that all happened

and we started to get some money spent, the year was well more than half over. What we are seeing here now is a steady level of improvement as the relationships become more institutionalized and we can bring the fiscal year planning for these programs forward and get an earlier start on the spending process.

Mr. Chairman: So presumably none of your plans were dropped. It was just a matter of getting them on stream.

Mr. Carl: I do not think any of them were dropped. Some of them were much more difficult than others to bring into place for a variety of reasons.

Mr. Chairman: Mr. Carl, the deputy indicated earlier that within the public accounts there would be some information in regard to the energy program with other ministries. In other words, you are going to provide data on how much each ministry presumably had saved as a result of the submission of your ministry. Is that information available?

Mr. Thompson: I was talking about the difficulty in obtaining that sort of information, that the auditor, obviously from an accountability point of view, would prefer to see Energy able to report all matters related to energy. I was commenting on the difficulty of doing that in areas, for example, where Government Services has a building constructed and where it is very difficult to know what additional money was spent in that architectural design and construction to accommodate conservation measures, and to set up a funding mechanism and reporting mechanism to do that might be more than it would be worth.

Mr. Chairman: At the risk of oversimplifying, would it not be possible to use, say, Mr. Yakabuski's example of building some new public housing in Toronto which, let us say, we are. I am presuming that one of the factors that now goes into any design of any building is the energy factor. Is it not possible to quantify and say as a result of this extra part of the equation in the construction, we are saving four or five or 10 per cent with these new techniques and because we are now aware that we cannot have an open window on every floor, sort of thing. Is that not quantifiable? If it is not, how do we know where we are?

11:30 a.m.

Mr. Thompson: I think you can do a sampling of that sort of information and, therefore, know that you are going in the right direction, but to try to total that up and say that at the end of 1979-80 a certain specific number of dollars was saved by these particular programs, I think probably is impossible to do and even if it were attempted, it would be very expensive and probably a fairly fruitless exercise. I would be much happier personally to see us sampling particular kinds of structures and saying in public housing in the year 1978 some 100 units were heated for X dollars and in the more recent construction were heated for Y and hope to show some improvement.

Mr. Chairman: This leads into the other topic about the internal auditors in each ministry being able to provide you with statistics. Again, I do not understand why that is not possible.

Is it not possible because the lead ministry or the operating ministry cannot be bothered or does not want to be bothered?

Mr. Thompson: No. I think there are two or three problems inherent in doing that. In many of our budgetary items, by comparison, for example, with the budget of the Ministry of Transportation and Communications, to break out the individual program item related to the conservation program and do it on a regularized type of monthly basis or whatever would be atypical of the way they normally do their reporting and a kind of expensive exercise.

On the audit question, if the Ministry of Energy were to do the audit on programs delivered, for example, in the Ministry of Correctional Services, my concept of that would be that an auditor would then have to go to the correctional centre and see if the heating changes in that particular institution had had the impact desired. From a cost-effective point of view, it seems to me that the auditor going into that institution with the internal auditor in the Ministry of Correctional Services might better be the reporting agent for that. My proposal to the committee, and certainly to the ministry, will be to try to move in that direction as opposed to centralized auditing for all of our programs.

We need to know, of course, at least quarterly what is happening or we cannot readjust our budget, but to actually go and examine a particular program in detail on a regular basis, or even to examine them all once, would be a very elaborate exercise for our own audit staff.

It may be that we misunderstood the audit report in that respect.

Mr. Foulds: I have a supplementary, if I might. If we take to the extreme what you are saying, you are asking us to go on faith--

Mr. Thompson: No, sir.

Mr. Foulds: --that this is a good thing because you have not given us a concrete mechanism by which to report. I do not think the committee is anxious to burden your ministry with an unnecessary bureaucratic reporting mechanism. I do not think that anybody wants that, but we want an assurance that the steps being taken are valid steps; otherwise we are just, so to speak, assuming. When I came down here in 1971, they used to leave all the lights on in all the government buildings, and now we see them turned off. We assume that is a saving and I assume that is a safe assumption. We do not know how much and we do not know how much in relation to the capital cost of putting in all of the individual switches that were necessary.

What we are asking for is a realistic window on a number of projects from which we can extrapolate some general conclusions. Is that fair?

Mr. Thompson: Surely, and I think what we are attempting to do is to have management by results reporting back from the ministries that are delivering the programs in order to say on a quarterly basis: "We signed up with the Ministry of Energy for a particular program, a wood-chip burning plant, for example, and that progressed well. It is now installed and we are utilizing that money effectively over the course of this year, or if it is not possible to proceed with it for some reason, tell us and then we can reallocate the money." That kind of MBR reporting we need desperately.

I would differentiate between that and the actual internal audit process of someone going and checking very carefully to see if the dollars were spent appropriately on our project, and I think that local examination might better be done by the auditor of the ministry which is delivering.

Again, perhaps both of those things differ a little from what we aspire to in a larger sense, and that is a program evaluation to evaluate the Heat Save program, for example, as Mr. Carl has described, and to do sampling techniques and say, "Did it really produce what its objectives said it would produce?" I am sure the committee would like to have that. I certainly would, as opposed to just looking at the specific numbers and whether the dollars were spent or not. That may not necessarily tell whether the objectives were achieved.

Mr. Chairman: I just have one question, and we have touched on it. Mr. Carl has given a fairly comprehensive response in regard to where you put your emphasis in the first place, which was on the commercial sector. The commercial sector only uses about four per cent of the crude oil, whereas the transportation sector uses 55 per cent. You will forgive me if I am a little sceptical about the response, Mr. Carl. It seemed to me that when the transportation sector is using 55 per cent of the crude oil, that is where the emphasis should be put.

I was a member of the select committee on the highway transportation of goods and I know there is no easy solution. We wrestled with that as to how to bring some conservation measures into that sector, but given the fact that they do use 55 per cent, it seems to me that is where the emphasis should be if we are trying to reduce our dependence on the use of crude oil. Your mandate, as you have explained it and as we have heard the minister say, is to reduce our dependence on crude oil. One would expect, following logically from that, that you would then put your money and resources on that sector that uses the largest amount, rather than what you have done, to my mind backwards, to put the emphasis on the smallest sector, which only uses four per cent.

We seem to be playing, if I may say so, somewhat of a public relations game rather than dealing with the problem and the priority.

Mr. Thompson: It might help the committee if we were to receive and have copies of the document that Mr. Carl had been using here, which is simply a pie chart describing the distribution of those funds in 1979-80 and then in 1981-82.

On the energy conservation projects area, there was a budget of \$6.5 million in 1979-80, and six per cent of it, as I see it here, was spent on transportation, whereas, by comparison, in 1981-82 the total expenditure was \$2.3 million, and 16.3 per cent of that was on transportation. So a substantial part of our budget in conservation was spent in the transportation area and the proportion of the total expenditure on transportation has grown from 6.5 per cent to 16.5 per cent.

I guess your point is well taken. I just reiterate what I said earlier, that I guess we went for what we thought we could get going fastest in that early year.

Mr. Chairman: Are there any further questions, gentlemen? Mr. Carl, you had something you wanted to add?

Mr. Carl: I might just mention to you, Mr. Chairman, that your original premise about oil usage in the building sector as opposed to the transportation sector was correct, except that our conservation program was directed towards the conservation of all forms of energy and to incorporate natural gas and electrical energy into those sectors. That does not change the fact that the major petroleum users are in the transportation sector. We are ready to agree that we have a great deal of concern in that sector.

If one defines energy conservation in terms of the changing of management of energy use, then pure conservation opportunities in the transportation sector are much more limited. The primary opportunities within transportation lie in development of alternative fuels, which is not a conservation activity, and the downsizing of the automobile.

EE are impacting very strongly with the Ministry of Transportation and Communications in the areas which do represent conservation opportunities--driver habits, ride sharing, increased use of public transit and so on. But in potential accomplishments or potential savings of oil, those are limited relative to the other nonconservation but rather alternative energy options that exist and they are dealt with in a different aspect of our administration.

Mr. Chairman: I have Mr. Kolyn. I wonder if I could ask you for two other pieces of information. One is what your advertising budget is. Do you know that offhand?

Mr. Thompson: The whole communications branch budget at the moment is about \$6 million. A proportion of that, of course, is for the staff internal, the industry developing.

Mr. Chairman: That is 25 per cent of your whole entire budget.

Mr. Thompson: At the time of this expenditure, this \$6 million, the budget of the ministry was \$47 million.

Mr. Foulds: But are there not additional advertising expenditures under energy conservation in the estimates?

Mr. Carl: That is the total of all.

Mr. Foulds: You have actually drawn it all out together into one place?

Mr. Carl: We have energy conservation and communications campaign programs in the energy conservation program.

Mr. Foulds: Yes, and that is where you get the money for the television advertising.

Mr. Chairman: "Preserve it, conserve it" has a nice ring to it.

Mr. Foulds: That is not under the communications budget.

Mr. Carl: It is part of the \$6 million.

Mr. Kolyn: On the same topic but from a little different angle, since our prime asset here in Ontario is electricity, I am really interested in what the department is doing to encourage more electricity in this province as in new homes and even in the retrofit process. We are going into a system right now where we are going from oil to natural gas, which is economically feasible right now, but I believe in about five years the cheapest form of energy in this province will be electricity more than likely. What are we doing to try to get more homes retrofitted, like electric furnaces? Are we spending any money to try to update this sort of process?

Mr. Thompson: I think clearly the most recent mechanism has been to make available a pamphlet, and there is going to be a follow-up to that, describing the need for people to get off oil. That has presented a variety of alternatives and describes not only the advantages of at least moving to gas, but of moving to electricity as well. It is not biased, for example, by saying you can only move to electricity, but rather it is stating the options and trying to give people the best information that we can so that they can make their own decisions.

Mr. Kolyn: We are encouraging people to go from oil to gas now through incentives. Why are we not encouraging them to go to electricity now?

Mr. Thompson: I think we are doing both. The money provided by the federal government and the mechanisms, advertising and so on, of our own ministry are describing the grants that are available for conversion of the home to electrical heating, for example, which I think is \$2,000 as a loan. So there are both of those elements there.

Mr. Foulds: Any differences in attitudes between the ministry and Hydro on that one?

Mr. Thompson: I do not believe that Ontario Hydro--

Mr. Chairman: Bring their projections up somewhere near the truth.

Mr. Thompson: I do not believe, at the same time, that they have the sort of notion the province should swing to the use of electricity in all homes in five years or something like that.

Mr. Foulds: I would hope not.

Mr. Chairman: Gentlemen, I think we have fairly well exhausted this. Mr. Thompson and Mr. Carl, you are going to provide us with the monitoring systems and results that you have done. It might be helpful for us if you could provide us perhaps with a graph with on one side your aims and objectives and with the monitoring data on the opposite. That might be helpful for us. Thank you very much. Your answers have been full and comprehensive and we appreciate the answers and your time here this morning.

Gentlemen, you also have in your material matter dealing with the Urban Transportation Development Corporation. I do not know if there are any questions arising out of this. If there are, would you please address yourselves to them now? We have the auditor's report on the UTDC.

Mr. Cunningham: Thank you, Mr. Chairman. I have gone through the report on several occasions. I think at the outset I should indicate that the motion I put forward possibly impaired the extent to which the auditor's staff could involve itself in a report on this agency and that, I must admit, is my fault because I was the one who moved the motion. One of the inadequacies was, as the auditor noted, that we did not specify the years for the financial statements.

Having gone through that, and mindful of the fact that I am not an accountant, I want to tell you that I am more confused by the auditor's report now on this particular agency than I was prior to this work being done. I see a number of questions here that in no way clarify my understanding of this agency which, in my opinion, has spent somewhere in the area of \$80 million. That is a figure I have to take from the estimates over the years.

The agency is inclined to tell people to whom they are attempting to sell their product that they are a private corporation. This is, in my view, at variance with the facts and at variance with what you have found is not a private corporation but a corporation controlled by Ontario and incorporated by our legislation. Notwithstanding that, they do make applications for provisions under the income tax for exemption from payment of income tax.

I do not know whether it is appropriate to ask if we can get more details on the financial operations and whether we could get the auditor to involve himself in looking at the working papers for the last several years. I personally would be interested to know what the salaries are on an individual basis of the leading individuals in the corporation. I am not particularly interested in obtaining the average or the aggregate amount for the top seven which works out to be \$50,000 per individual. I would be interested in obtaining details on their expenses, more particularly the expenses that would be associated with a myriad of various bids that have been made all over the world.

I would, as well, be interested to know what kind of compensation programs outside the area of salaries might be involved for senior executives.

Mr. Chairman: Like cheap mortgages.

Mr. Cunningham: In the past we have, as you have very correctly pointed out, seen things I consider to be extraordinary or irregular, such as a three per cent mortgage for an officer of the company. As well, the private automobile of the chairman, which I believe is a Mercedes Benz and which could be a reflection on his confidence in the German automobile industry, was subsidized or paid for by the company.

In the report which has been prepared by staff, which I think is very comprehensive, there are a number of indications where the corporation is expecting to obtain some revenue and where we are anticipating some business. I think members have appendix A, a sample of clippings regarding the UTDC, which note that they are in a number of places and bidding basically all over the world. I have summarized some of the places they have been and I have summarized the results for you.

They are currently operating and conducting through a subsidiary of theirs, Metro Canada, a feasibility study in Hamilton. I have learned in the last three weeks that Metro Canada, notwithstanding the fact that their study should be complete by now and that they are leaving their premises now in so far as their obligations are nearing completion, signed a three-year lease in probably the most expensive rental accommodation in the Hamilton area--Century 21.

11:50 a.m.

When questioned by me on that particular matter, they indicated that if they did not sign a three-year lease they would not be allowed to go to Century 21. My suggestion was that there was a myriad of various places available to them in our downtown core which currently is suffering a bit.

I think that is something for which the public is not obtaining good value for their money. It is inconceivable to me that an agency of the government would sign a three-year lease, a very expensive lease, when they knew they would be leaving at least two and a half years prior to the conclusion of that lease.

At this point in time, no contract has been signed with Hamilton or Hamilton-Wentworth. Mention was made of Miami; no contract there. Mention has been made of Portland; no contract there. I believe there is no contract for Caracas. The LA deal has fallen through. There is no contract for Buffalo; it was awarded to a Japanese concern. There is no contract signed, I believe, for Detroit. To date, notwithstanding the mention of it, there has been no contract, I believe, for Scarborough.

Canadian cities--Edmonton, Calgary, Montreal--are all opting for conventional LRT, light rail transit. The only other contract they are mentioning right now again involves dealings with an Ontario government agency and that would involve an arrangement with Metro whereby they would run a \$90-million track from the CN Tower to the CNE, which is hardly on a main line route. At the moment, it hardly would sustain itself, and I think they would, in honesty, have to admit that that would be a demonstration type of project.

Under your notes, Mr. Chairman, I note there are a number of changes in the financing arrangements which I find frankly confusing. I do not know why there would be an extraordinary adjustment, as it is referred to here, of \$22.4 million, or why this financing arrangement would be made, why this adjustment would be made. Under item three there are reasons for deferring costs which frankly I do not think--and I am not an accountant--fall within the guidelines of generally accepted accounting principles. The deferring until delivery, I can allow.

On page five, item five, claims with MTC, I am wondering why this particular agency, which heretofore has reported to MTC, would submit a claim in the area of \$6.5 million and why that claim would be outstanding. I am concerned that there possibly, according to your notes, might be other claims outstanding and why they would be outstanding.

There is a notation of \$71,000 for automobiles, and I think that the auditor should be provided with the details of that arrangement and as well, as I said, the details of arrangements pertaining to salaries and expenses.

I have concluded my remarks, but I want to say I do not think for the amount of money that has been expended to date--and in my own mind I am still not certain exactly how much is involved, but at the very minimum it would have to be \$65 million--that the Ontario taxpayers are obtaining a significant benefit from this particular corporation. We have a plethora of announcements about deals that are pending--the headlines in the Toronto Star, "Ontario Wins LA Transit Deal," and then somewhere, invariably three or four months later, on page 96, back with the truss ads in the Toronto Star, we get next to a foot powder ad a note that the LA deal now is off.

The reality of it is that, with only one exception, and that is where Ontario has made an extraordinary offer to the city of Vancouver and to the province of British Columbia, a money-back guarantee, putting most of the money up front, with an extraordinary transit guarantee, with that possible exception this company, this Ontario taxpayer-financed company, in my view, has not been a major benefit to the taxpayers.

I think it would be incumbent upon us as a committee to seriously take a look at the expenses associated with the various bids that they have been on, including one of the ones to Israel, which the Premier announced about six years ago and which again has not transpired, and see whether the taxpayers of Ontario are getting value for the money spent.

Mr. Foulds: If that is a motion, I will second it.

Mr. Chairman: I am not sure. Is that a motion, Mr. Cunningham?

Mr. Cunningham: Yes.

Mr. Chairman: What specifically do you wish the committee to consider then?

Mr. Cunningham: Possibly the committee may want to discuss some of the points that I have made with them. I have outlined some areas where I think there are some very serious irregularities, not the least of which is this three-year lease that we are not going to obtain proper value from, that is, from Metro Canada, which is a subsidiary of UTDC.

I would like to see the auditor involve himself and his staff in a more detailed and more comprehensive analysis of moneys that have been spent and, to go a step beyond, look at the annual financial statements and the annual returns and involve himself in a comprehensive audit--look at the working papers.

Mr. Peterson: What about inviting Mr. Foley of the UTDC?

Mr. Cunningham: I think it would be an excellent idea, Mr. Peterson, once the auditor had completed that work. If my concerns are baseless, I think it would be a waste of Mr. Foley's time, a waste of Mr. Snow's time and maybe a waste of the committee's time.

I am not saying everything I am surmising is cut in stone by any means. I think that the preliminary approach would be to involve ourselves in this more comprehensive financial analysis, and pursue it to our mandate, determine whether the taxpayers of Ontario are getting good value for money that is being spent on this. Possibly we might obtain some kind of meaningful explanation as to when we are going to obtain some repayment on this and when we are going to financially benefit from our involvement in this corporation.

I feel, Mr. Peterson, that Mr. Snow and Mr. Foley can respond to our concerns in the traditional manner and that is by attending the estimates of the Ministry of Transportation and Communications, which I anticipate will be within the next month. What I am requesting here is slightly more involved and slightly more detailed and may be more within the purview of the public accounts committee.

Mr. Peterson: I would certainly agree.

Mr. Cousens: I would think there would be some advantage in following up what you say. The whole committee is not here at this point. I think there are a number of points that have been raised which I would not mind looking into in some detail before we make a decision. I would not want to see a motion made now and an attempt made to put it through the committee until the committee had dealt more with the points that Mr. Cunningham was raising. I would hope that if there is a motion, it could be at our next meeting when we are able to deal with it and have a better feeling for the points he has raised. We will have read the minutes and other members will see what he is trying to do.

To try to do so now, I think would not be right because we do not have all the facts and we have not had a chance to consider them. I would hope there is not any effort to try to push through a rapid motion on it at this point. If there is, I would want to see that it is a recorded vote and get everybody in here and at that time we could stretch it out because I would want to have other members participate in the debate.

Mr. Foulds: It seems to me that the auditor's report does raise at least the question that there have been some questionable practices in the past. Mr. Cunningham indicates he has some information that some of those questionable practices may be continuing in a different form and I think that has to be the concern of this committee. If that is so, we should try to be as specific as possible for the auditor. First of all, we are not engaged in a fishing expedition, but we are engaged in a genuine investigation of concrete concerns. If Mr. Cunningham could delineated a specific number of those concerns that the auditor could pursue, the questions which are most legitimate, and a very valuable, important function for this committee to perform--

Mr. Cunningham: Mr. Foulds, I would be prepared to do that now. In my own mind, I have an understanding of what I think I would like to do. I apologize to the chairman in not favouring him with that motion in advance, but I would move that the provincial auditor address himself to the--I have always wanted a promotion on--

Mr. Chairman: Could I make a suggestion? Mr. Cousen's point is well taken. I must say, Mr. Cousens, it has become apparent, however, that members of the government side seem to leave about 11:30 and this is not the first occasion in which there has been nothing but, shall we say, a rearguard detachment staying in the committee. Of course, you two fellows make up in quality what you lack in quantity, but perhaps Mr. Kolyn, as deputy whip, might impress upon his members that we do sit until the business of the committee is finished.

It was a matter of procedure in previous years that any substantive motion of this kind be tabled at this meeting and voted on next. I would hope that we can continue that because that way it avoids any kind of problem of ringing the bells and sending out for people, and so on. However, I must say that if people are not going to show an interest and not going to stay, then we have to proceed with the business with those people who are present.

Could I make the suggestion, Mr. Cunningham, that you write out a motion--and I have asked before that all motions be written out--delineating particularly those matters you wish the auditor to pursue further and then we can deal with it at the next meeting.

Just looking down the road, I would suggest that hopefully we will be meeting for three days in January, when we seem to be more productive than during the session, and perhaps ask the auditor to appear. There is some indication there will be something about the Urban Transportation Development Corporation in his report this fall, and January might be the time to deal with it in detail, if that is all right with you.

Mr. Cunningham: Mr. Chairman, I am reluctant to do that, but in the spirit of objectivity and fairness, I will adhere to your recommendations. I will put that motion in written form and I will circulate it in advance at the next meeting, if that is fair.

Mr. Chairman: I would appreciate that.

Mr. Cunningham: I hope, in that spirit of objectivity and fairness, members of the government party do not routinely, by virtue of their numbers, reject this motion out of hand in a partisan context. I believe that this committee has to be above that kind of thing. I have documented for you some irregularities which must be looked at, and not just the Metro Canada three-year lease. We are talking about an enormous amount of money that has been spent and will be committed to be spent in the near future. I do feel it is in the public interest that we take a look at it. I just want to go on record by saying that I would be very disappointed if this committee is divided on a partisan basis a week from now on this issue.

Mr. Chairman: Thank you. Mr. Kolyn?

Mr. Kolyn: I would like to make a point. Three of our members had a luncheon to go to and there was a little bit of mileage involved.

Mr. Foulds: Political or geographical?

Mr. Kolyn: Geographical. Since we had thought that there would be nothing particularly coming up, we thought it would be appropriate to attend.

Mr. Chairman: There is always something coming up in this committee, Mr. Kolyn.

I would like to raise one other matter. Margaret Vokes and the auditor both have done a fairly substantial, in-depth review of the response of the Ministry of Health officials in regard to St. Marys Clinic. There are at least four outstanding questions that were not specifically answered by the Ministry of Health people. I would like to raise this at the next meeting and ask the direction of the committee to write to the Ministry of Health people and ask for specific answers to these specific questions. The auditor informs me--and incidentally you might be interested knowing--that St. Marys Clinic has now withdrawn from the health services organization. They are out of it as of October 1. One can only speculate as to why they have done so.

Mr. Peterson: Another scalp in your belt, Mr. Chairman.

Mr. Chairman: In any case, those questions are still outstanding. If we do not impress upon the various ministries that we are serious about the questions we are asking and demand answers to them, we might as well fold our tent. We will also deal with that matter at the next meeting.

Also, because we do not have a full complement, I would like the approval for the agenda that will take us to approximately the middle of November. Hopefully, after the middle of November, the committee will be going to Ottawa on a Monday afternoon to observe how the federal committee operates. They have a briefing session Monday evening and they meet Tuesday mornings and Thursday. With the concurrence of the committee, we will go to Ottawa on Monday afternoon, attend the briefing committee Monday evening and observe their actual committee meeting Tuesday morning and return to Toronto on Tuesday afternoon.

Mr. Cousens: I would like to see us follow up on some of the things which came out of the report on public accounts committees this past summer. There a number of procedures that we could be following to improve our own process. At some point, I would not mind seeing included a section on the agenda to look at that because we could streamline our process, to be more honest to the auditor and to the whole process.

Mr. Chairman: Mr. Cousens is referring to improving accountability, a study done by the Canadian Conference of Auditing Foundation. We are just trying to see where we can fit it into the schedule. I was thinking perhaps we could have a meeting in Ottawa for an hour to discuss it, rather than using the actual time of the committee in dealing with matters arising from the auditor's report. But I would appreciate it if everybody would read this. I think it is a very important document.

If there is no further business for the benefit of the people of Ontario, we stand adjourned.

The committee adjourned at 12:06 p.m.

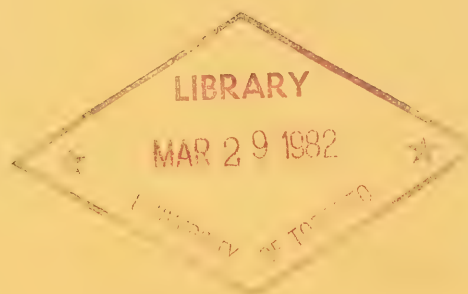
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STANDING COMMITTEE ON PUBLIC ACCOUNTS

AUDITOR'S REPORT: THE CENTENNIAL CENTRE OF SCIENCE AND TECHNOLOGY
URBAN TRANSPORTATION DEVELOPMENT CORPORATION

THURSDAY, OCTOBER 22, 1981



STANDING COMMITTEE ON PUBLIC ACCOUNTS

CHAIRMAN: Reid, T. P. (Rainy River L-Lab.)

VICE-CHAIRMAN: Peterson, D. R. (London Centre L)

Cousens, D. (York Centre PC)

Cunningham, E. G. (Wentworth North L)

Foulds, J. F. (Port Arthur NDP)

Philip, E. T. (Etobicoke NDP)

Pollock, J. (Hastings-Peterborough PC)

Sargent, E. C. (Grey-Bruce L)

Scrivener, M. (St. David PC)

Taylor, J. A. (Prince Edward-Lennox PC)

Villeneuve, O. F. (Stormont, Dundas and Glengarry PC)

Yakabuski, P. J. (Renfrew South PC)

Substitutions:

Kolyn, A. (Lakeshore PC) for Mr. Yakabuski

Shymko, Y. R. (High Park-Swansea PC) for Mr. Villeneuve

Clerk: White, G.

Researcher: Vokes, M.

From the Centennial Centre for Science and Technology:

Wilson, Dr. J. Tuzo, Director-General

Reilly, L.M., Chairman, Board of Trustees

Gillman, G. R., Controller

Witnesses:

Scott, F.N., Provincial Auditor

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday, October 22, 1981

The committee met at 10:20 a.m. in committee room No. 2.

AUDITOR'S REPORT: THE CENTENNIAL CENTRE OF SCIENCE AND TECHNOLOGY
URBAN TRANSPORTATION DEVELOPMENT CORPORATION

Mr. Chairman: Lady and gentlemen, we will come to order, please. We are dealing this morning with section 3.5 of the provincial auditor's report, dealing with an apparent conflict of interest at the Centennial Centre of Science and Technology.

We have with us this morning Dr. J. Tuzo Wilson, the director general of the Ontario Science Centre; Mr. G. R. Gillman, the controller; and also our old colleague and friend--and I mean old only in the sense of former--Len Reilly. Would you gentlemen like to come forward and sit at the back here, please?

Mrs. Scrivener: Mr. Chairman, just before they take their places, may I speak to a point of order, please?

Mr. Chairman: Certainly.

Mrs. Scrivener: In the first instance, I have observed that some of these reports coming before us are from the legislative library, the research and information services branch, and I was not aware that they were commissioned by this committee.

In terms of this particular report, I received mine late yesterday, not in very good time at all. It was in the last mail. It is really unfair to this committee to get our agendas and reports of this nature and expect us to be ready to go this morning in such a short space of time when we all have very busy schedules. I fully appreciate that is not your fault, but I am only raising a point to you that perhaps we can try to get the reports before us in handier time.

In terms of this report, Mr. Chairman, I read it through, I observed the disclaimer on the cover page, then I looked through it and I really found it quite disappointing. You have several pages of briefing notes, then you come to a reprint of the auditor's report. Apparently, it is reliant upon press clippings in order to prove apparently some of the points, plus the correspondence. Frankly, I thought that the quality of this report was really quite inferior. It is disappointing, it is subjective and argumentative.

On the basis of this, I would say it is just not an adequate document to put before the members of this committee. Really, if it is necessary to have an extension and further amplification of the auditor's report to us, I think we should ask the auditor himself to do this for us, or if he is too busy, perhaps he can delegate this or recommend to us a competent firm of auditors and professionals who can give us professional reports. But I do not find this one is acceptable.

Mr. Chairman: Mrs. Scrivener moves that the report from the legislative research service be not accepted.

Mr. Cunningham: Mr. Chairman, speaking to the motion, I am frankly disappointed in the comments from the member for St. David. In my brief involvement on this committee and my attendance in the past, one of the impressions I had was that the public accounts committee was not properly briefed and not well informed at all and invariably, unfortunately, unprepared for the task of examining the auditor's report and interviewing and discussing issues with people who would appear before us.

I must say, respectfully, Mrs. Scrivener, my view on this is at complete variance with yours. I have just gone through it. I would appreciate having had it maybe a little earlier than we got it, and I share your view in that regard, but I have gone through it and I must say that in no way can I fault the quality of the report. As far as I am concerned, it is very helpful in my own view of developing and understanding this particular issue. I have some different views on the issue itself, but in the context of the preparation which has gone into this and the analysis on this particular issue, I do not know what more the members of the public accounts committee would want.

As a member from outside the city of Toronto, I value the attachment of the press clippings which relate to this to help us possibly understand what others may think about this. I appreciate the auditor's note. I appreciate the questions. As far as I am concerned, Mr. Chairman, I think this is probably one of the most complete reports we have ever had and certainly most helpful in the initiation or a discussion of this sort.

I must say I respectfully disagree with the member. I respect her right to put such a motion and share her concern as it relates to the timing of receipt of this report, but as it relates to the quality of the report itself, I most certainly have no complaints whatsoever. In fact, I was going to say to the chairman that the people who prepared it be commended.

Mr. Philip: I share Mr. Cunningham's concern. I personally do not see how you can move a motion not to accept what amounts to a report that is prepared for individual members. This is not a public document that is being tabled with the committee.

Mrs. Scrivener: It was not commissioned by the committee.

Mr. Philip: It was commissioned by the committee. The committee asked the research branch of the library to prepare information for them.

Mrs. Scrivener: When did the committee do this? I see no record of it.

Mr. Chairman: Mr. Philip will answer for us.

Mr. Philip: This committee always has the research branch of the library do that.

Mr. Shymko: The question is, did this specific committee composed of the present members make the request?

Mr. J. A. Taylor: Mr. Chairman, maybe you can clarify this.

Mr. Chairman: Could I give the background and then I will go back to Mr. Philip? Years ago it became apparent that members did not have the time to prepare their own briefing materials and to get all the information together with regard to the matters raised by the auditor. The former committee dealt with this at some length. It was suggested at one point that the committee hire staff that would be working directly for the committee to prepare such briefing materials.

It was the view of myself and the members of the committee at that time that because of the limited number of times the committee met, it would not be good value for the taxpayers to hire somebody to work full-time for the committee. As you are probably aware, Mrs. Scrivener, there are other committees that have engaged staff who seem to spend a lot of time having coffee and trying to occupy themselves when their committees are not meeting.

It was decided, therefore, that the chairman would approach the legislative library and have someone seconded to the committee as part of their duties--only part of their duties--to prepare such briefing materials. That, in itself, took some time for the library to agree that would be good use of their research time. As a result, we had Martha Fletcher, who was the first person to provide assistance to the committee. I might say parenthetically that in the recent report of the Comprehensive Auditing Foundation, one of the lacks they pointed to of most committees was they did not have anybody doing research for them and so were not well prepared.

It has been for about three years now, I believe, that in the operation of the committee the researcher for the library--whoever was seconded--would prepare background notes and materials for the committee. We have always operated that way. You may recall that we had what I consider to be an excellent report from Margaret Vokes of the library research on the anomalies and contradictions in regard to the testimony respecting St. Marys clinic. This is one of the procedures that we have followed.

You made reference to the fact that perhaps the auditor should do this. We went into that as well, but the auditor provides us with his report and makes his comments in his annual report. To ask the auditor to prepare further background material is not, in the view of the former committee, a good use of time of the auditor and his staff. Secondly, and possibly more important, it puts the auditor in the somewhat invidious position of being judge and prosecutor of the matters before the committee. In my view and that of others, that would tend to put the relationship and confidence the auditor has with the various ministries, agencies, boards and commissions he is dealing with in a very bad light because people would think he was prosecuting them as well.

10:30 a.m.

For those reasons we have somebody from the library which, quite frankly at the time, was the most reasonable solution and considered to be the most cost-efficient.

We have had problems in the past with not getting the briefing materials in time, and that is part of everybody's burden of work around here. I might also say, however, that I found if the members of the committee got the material too far in advance, they would forget they ever got it. You will note that stamped on your agenda and briefing material is the comment, "Please bring this to the meeting." Some members are more interested than others, and we have had members of all parties come here and say, "What the hell are we talking about this morning?"

I would also point out to you that you were sent a memo on September 30, 1981, which outlined the agenda for the fall meetings, and under October 22 it is indicated the Ontario Science Centre was going to be discussed. Of course, it is expected each and every member, at the very least, hopefully, would read the comments of the auditor, if nothing else.

Quite frankly, this research we have is fairly full and complete. It includes a letter we received from an aggrieved party.

Mr. Philip: Mr. Chairman, I believe I had the floor.

Mr. Chairman: I am just trying to give the background.

Mr. Philip: I think there was a question and it was not an invitation for you to make a speech.

Mr. Chairman: I am just giving the background, Mr. Philip.

Interjection: I appreciate this, Mr. Chairman.

Mr. J. A. Taylor: That is the chairman's prerogative surely.

Mr. Chairman: I am just giving the background as to how we arrived at this situation and why. It is for those reasons that we are here. We can get into the question at some point, and I hope we would be able to arrange that we would have a briefing time previous to the meetings so that we can go over this or any other material, or members can ask for anything additional. That is it. Mr. Philip.

Mr. Philip: You just said what I was going to say, but I will add a couple of comments to it. This document is not tabled with the committee and, therefore, you cannot move a motion for nonacceptance of something that is not before the committee. This is background information--

Mrs. Scrivener: Why was it circulated?

Mr. Philip: It was circulated as background information, and by the same token, I think that I have always found--

Mrs. Scrivener: I think it should--

Mr. Philip: Do you want me to answer you are or you going to continue to interrupt? I realize that your attendance at committees is very rare and, therefore, we should listen to whatever you do have to say whenever you do show up.

Mr. Kolyn: That is not fair.

Mr. Chairman: Mr. Philip, we can stick to the facts, please. Mr. Philip does have the floor.

Mr. Philip: You cannot move a motion against something that is not before the committee. It is background information. I have always found the research division of the library did an excellent job and was fair to all sides. I do not happen to think that because they present me with both sides, whenever I ask for any information, that it is, therefore, a distorted view.

It would be absolutely preposterous to have the auditor himself prepare the report. That would be the equivalent of having the Ombudsman prepare research material for the Ombudsman's committee, and that would be most improper. It would put us in a compromising position because there are times when we may disagree and have disagreed with the views of the auditor or of the Ombudsman. Therefore, some body other than that particular office, which may have a particular point of view, should be doing the background for us.

Mrs. Scrivener is right in the sense that, coming at the last minute, it is not helpful to us. Those of us who attended the public accounts convention have a number of suggestions which we are going to make to the committee, and I have prepared some motions--not to have before us today, but rather to circulate to the members of the committee--which may help us. I believe, for example, that the leadoff questioning should be circulated or rotated among the parties so that on one occasion the Conservatives will lead off the questioning, on the next the NDP, on the next the Liberals. That makes it less partisan.

Mr. Chairman: Not necessarily in that order, I take it.

Mr. Philip: No, not necessarily in that order, but in a rotating order. I am also suggesting to the committee that perhaps once a week those of us who can attend meet to go over what it is we are about to be hearing at the next session. We could do this over lunch or at some other time prior to the meeting of the committee. I am hoping that those suggestions which are ideas that have come out of our meeting with other parliamentarians from other parts of Canada may be useful.

As our chairman has pointed out, one of the weaknesses in these committees across the country is that there is not research done often for them, and we are very fortunate that we do have a library staff which does prepare research. Part of that research surely is what has been said publicly. I agree sometimes with the versions that newspapers come up with and sometimes I disagree with them; none the less, I at least want to know what has been

said publicly because, as a member of a body that is entrusted with looking at how our taxpayers' money is being spent, I like to know what those taxpayers feel has gone on, and either confirm or deny some of those stories. It is only by questioning that we can do that, and it is only by seeing what the newspapers may have said on the particular issue, or indeed what anyone else may have said.

That does not mean the research department is endorsing what is said, but merely pointing out to us what information is out there. I would hope that the motion, in the light of my comments, will be withdrawn.

Mr. Cousens: At this point I am sure that Mrs. Scrivener has achieved any objective she hoped to make by the motion, and if she is not prepared to withdraw the motion, I would move that it be tabled.

Mr. J. A. Taylor: Mr. Chairman, the motion may be out of order if what Mr. Philip says is correct and, therefore, it may be so ruled and it may not have to be withdrawn, but I would like to make some remarks after you have finished.

Mr. Shymko: Mr. Chairman, I just wanted to comment on some of the points that were raised on the motion. I do not think there is any question that the members of this committee and any other committee appreciate research and background material on cases, especially of an importance such as this nature where you talk about conflict of interest. There is no doubt that some research has to be done and there must be an adequate preparation of the members in terms of understanding the case and all the facts on both sides of the story before you begin tackling the question itself.

What is reasonable is, first of all, that a request for such research and background material should be made by the committee. I think it is only reasonable to expect that the committee should make such a request if it deems that research or more background material is necessary.

I think it is quite reasonable to have expected this committee, for example, knowing that this was on the agenda, to have once again perhaps reiterated the need for research material. It would not have been placed in the position of a former committee having requested background material without informing this committee that it would be arriving.

Secondly, there is the fact of the timing. Certainly it would have been appreciated by every member if they had had a few days to look over this material rather than be faced with the distribution of it five minutes before or immediately at the beginning of a committee meeting, in all fairness, if one has to make any judgement on a particular case. Furthermore, there is the very content of the material.

Mr. Philip mentioned the Ombudsman's committee. We have sat for two weeks with the Ombudsman's committee dealing with very

delicate cases, and I must submit that the Ombudsman's committee did provide us with a lot of background research material which they prepared. It was their side, but they did prepare some of that material. We did not necessarily agree with some of the facts that were presented or some of the interpretations by the Ombudsman's office, but I think there is nothing wrong if the auditor's staff were to provide some material. Just because they provide it does not necessarily mean that we would have to agree with every point, but I think to make a blanket statement that we cannot or will not accept the auditor's staff to provide us with any background material would be setting a precedent that would not be acceptable; at least we should not make such a blanket statement.

10:40 a.m.

In terms of the content, I think it is rather one-sided from the point of view that we have press clippings. The press is the press; it has its own biased interpretation of that particular question of conflict of interest. We also have a letter from Spectrum Educational Supplies Limited, which obviously questioned the granting of the tender to Science City Incorporated, but it would have been appreciated to have seen something from Science City Incorporated, any statement from that company which was awarded the tender.

Also, it would have been appreciated to see any copies of correspondence with the Ombudsman since there was reference made that correspondence existed with the Ombudsman's office. Having included some of that correspondence would certainly be appreciated. There is mention of communication with the past chairman of this committee, between Spectrum and the chairman. Maybe there was an answer. There is an indication there was no answer, but perhaps there was some kind of an answer.

The selection committee may have made some kind of a statement. The science centre selection committee may have had something and also the director of legal services of the Ministry of Culture and Recreation. There are a lot of facts, I think, if you talk about extensive, well-prepared, researched background material. I tend to agree that this particular compiled material is not adequate in making an objective assessment of that particular case and voicing one's opinion on it.

So I feel there are concerns raised with regard to our research, which is disclaimed by the researcher herself in this case, saying that the views expressed should not be regarded as those of the legislative research. Obviously, the individual cannot be held liable for some of this, but the disclaiming aspect I find rather interesting.

That is all I wanted to say with regard to some points that were raised. I think we should seriously look at them and in the future make sure that this committee makes such a request, because you do not always ask for research material in all the cases that are held before this or other committees. It is proper that the committee should make that request and that the research material be more extensive.

Mr. J. A. Taylor: Mr. Chairman, I just want to recognize that you, as chairman, have certain prerogatives and I would expect you to exercise them. I think that is the kind of leadership that a committee looks to, so I want to make my position clear in that regard.

We have, as you know, traditionally appointed a member of the opposition party as chairman of the public accounts to ensure that, if there is a committee in government that is certainly trying to be objective and even-handed and to ensure the wise spending of public funds, it is the public accounts committee. I do not think any member of this committee quarrels with that because we all, as citizens of the province, share that concern.

If you, as chairman, feel--and I am sure you do--that if any member of the committee should be assessed of the problems and aware of the facts, it is the chairman, then therefore it is incumbent upon you to draw information from wherever you can to further equip yourself in the conduct of these committee hearings.

I just want to make it clear that I believe that. As chairman, if you feel it is necessary to draw on support services in government, including the library service, then that is there for you to do. I see this particular library research document as that kind of information you have requested and which you have shared with the committee members.

Any member of this committee can request from the library research in any number of areas, and they often do. Sometimes they are shared with fellow committee members and sometimes they are not. In terms of this particular report, I do not see this report or similar types of documents as a part of the official record, if you want to put it that way, or as cogent evidence of one position or another. Surely it is there to be informative.

Mrs. Scrivener has raised another issue, as I see it, that does cause me some concern, and that is the danger of the library service involving itself in drawing conclusions from its research. I know it is often difficult to avoid or escape the conveyance of impressions from an exposure of fact. That is an area where maybe the library service is going to have to be even more cautious.

My personal experience with the library service has been excellent. They have always discharged faithfully and well any task that I have asked them to perform on my behalf, so I am not being in critical in that sense. But there is this danger of reporting to lean or to indicate in a conclusive way or in a judgemental way. That is something that the library service is going to have to watch.

Mr. Chairman, you mentioned the St. Marys Clinic report and the information there. I noted in a couple of areas from that report and from looking at what was said by, I think, Dr. Suttie, I would not necessarily come to the same conclusions. In other words, with a certain set of facts you may or may not draw similar conclusions. The library service is going to have to be careful that it does not draw conclusions from facts that may lead you into different--

Mr. Philip: These are all questions. Where are the conclusions?

Mr. Chairman: Mr. Philip, you asked not to be interrupted.

Mr. J. A. Taylor: What I am doing is saying that in my view the provincial auditor's role surely is to point, not to prosecute. I think that has been made clear. He has flagged issues that this committee has to deal with and which the committee is dealing with.

In terms of this particular document, I would expect, in view of what has been said, that it is just a matter of distribution for information of the committee members and they can do what they will with it and leave it at that and get on with the committee's deliberations.

Mr. Chairman: Most people tend to ignore it, unfortunately.

Mr. Peterson: I find this is an extraordinary discussion. I have been a member of this committee for five years. I have had an opportunity to chat with other public accounts committees. I can tell you this public accounts committee under the chairmanship of Patrick Reid has the best reputation in this country. By and large, it has maintained a very nonpartisan view. It has functioned extremely well. I am one of those who is quite proud of the way that we have functioned; most of us have put aside our partisan considerations.

One of the reasons, as I have seen this constant process of upgrading of this committee over the last three or four years, is the first-rate research that we have latterly been provided by the legislative library. I want to congratulate Margaret Vokes. I think this is an excellent piece of work. I do not think there is one conclusion drawn in here. It is no different, very frankly, than a great number of other reports that Martha Fletcher used to prepare for us, to draw our attention to the various issues.

I really think that the allegations that these people are being subversive, or are drawing conclusions, is almost like John Smith's accusation that the Ontario Economic Council was being subversive. There are number of questions raised. If you disagree, that is fine. We are the judge and jury.

Mr. J. A. Taylor: Nobody has indicated that the library service is being subversive.

10:50 a.m.

Mr. Peterson: There is certainly a suggestion that they are drawing conclusions where they should not. I have studied this document. I do not see that they have drawn any conclusions. I think she has pointed to a number--

Mr. J. A. Taylor: Who has suggested that they have drawn conclusions in this document?

Mr. Peterson: If you allow me to finish, certainly it was implicit that they may. You are giving these veiled warnings to legislative research to avoid drawing conclusions. I think they have substantially upgraded the quality of the committee hearings at a number of levels, including your own committee on pensions and this one also.

I frankly do not understand why this discussion is even taking place, but now that it is taking place, Mr. Chairman, this is exactly the way the committee should function. I am happy to have this document. It is a first-rate piece of work. Let's get on with the job.

Mr. Chairman: I would like to point out that the information we get is to be only a guideline or to provide direction and is not cast in stone. Some of the questions are suggested as perhaps lines of questioning that might be followed. My experience is that often we do not follow them at all. It is up to the members whether they read it or use it at all. It is not intended to be a complete document dealing with every aspect of the case because we have people--in our case this morning from the Ontario Science Centre--to give their side of the story. I know they have certain documents that I think might be of interest to the committee.

We have on occasion asked the researcher to look specifically into other areas or to pursue certain matters. But we will certainly take into account the comments that have been made.

Mrs. Scrivener, do you wish to go forward with your motion.

Mrs. Scrivener: I think we need a little clarification here. In the first instance, I assumed that this report had been commissioned by you for the use of the committee. Therefore, what is produced becomes, in effect, official background information and material for the use of the committee. There is no point in saying that it is informal. Mr. Philip would have it that this is an unofficial document. You cannot have it both ways. Either it is commissioned and good time and taxpayers' money are spent on its production, or it is unofficial and of no value and, therefore, why circulate it.

Apparently, it is of considerable value inasmuch as we have a stamp on this with the agenda, saying, "Please bring this to the meeting." Then it is considered by the legislative research service to be sufficiently important that they even put a disclaimer on its contents. I think that somehow we have to get the status of the report defined, but until it is then my motion stands.

Are you seconding my motion, Mr. Taylor?

Mr. J. A. Taylor: If I may, Mr. Chairman--

Mr. Peterson: You are embarrassing your colleague, Mrs. Scrivener. That is what you are doing.

Mrs. Scrivener: Before you go on, I think there is one thing that seems to be happening. You said you cannot have the auditor be judge and jury. I do not know that he is called upon to be judge and jury. If the auditor is providing us with information, and the information that the auditor has prepared for us on this particular point in the first instance, as contained in his report, is extensive, detailed, quite clear and very easy to read, why it would need amplification in this way, I do not know.

In any case, if that is so, then you seem to be, in effect, putting the legislative research service branch in an invidious position because you are putting them in a quasi-political position. I do not think that is appropriate at all. Somehow I really think we have to clarify the status of reports of this nature. Either they are official and for our use or they are not official and, therefore, to be ignored and perhaps not even be commissioned. I just do not understand this at all.

Mr. Chairman: I would point out that one matter of fact is that the disclaimer of the library goes on every document they produce.

Mrs. Scrivener: No, it does not. I checked.

Mr. Chairman: I have asked for certain reports, and it is certainly on them.

Mrs. Scrivener: I have seen it on too.

Mr. Chairman: This may be a recent policy, but I know that in the last month I have had two reports from the library and this is there.

Mrs. Scrivener: Yes, but everything prior to that was not disclaimed.

Mr. Chairman: We are all in an evolving process, including the library research. I know in Ottawa they do it the same way. If they prepare a document for a member or a committee, the disclaimer is put on there.

Mr. Philip, did you have something further to say?

Mr. Philip: I have heard preposterous statements, but to suggest that because a report is unofficial it is of no use, is the most nonsensical gobbledegook I have ever heard. Good chairmen do often ask for research, and it is to the credit of this chairman that, instead of doing what some chairmen have done, which is to keep the research for themselves so that they can ask the interesting questions, he at least has been courteous enough--

Mr. Chairman: I shall rectify that.

Mr. Philip: --to share what research he has with other members of the committee. That is what he has done, and I say that is to the credit of a chairman who knows what he is doing, or at least is being fair with other members of the committee. To suggest that because he has done that and because he has obtained research-- any one of us can supply research to any other member

of the committee, and it is often done in other committees. In the justice committee, I often circulated all kinds of things, some of which the members wanted and some of which they did not want; none the less, they could pick and choose as they saw fit.

Mr. Peterson: You were a good chairman too.

Mr. Philip: At least people got information out of my office as well. It is to the credit of the chairman that he has done this and it is to the credit of the library that they have provided the information.

Mr. Chairman: Mrs. Scrivener, if you wish to proceed with your motion then, would you write it out for us, please?

Mrs. Scrivener: Mr. Chairman, I am looking at this disclaimer. I think that in future if we require additional information on particular subjects that we want to examine, the committee should make the request and define the kind of information it requires. I am looking at the disclaimer here. The very first sentence says, "Projects prepared by the legislative research service are designed in accordance with the requirements and instructions of the committee making the request." That, perhaps is the crux of the matter.

Perhaps in future the committee had better decide on what it wants, how it wants the material prepared and how extensive it should be. Then there will not be this kind of a discussion, or the need for such. If that were to be the case and if you were to follow that route in future, I will be pleased to withdraw my motion.

Mr. Chairman: If you are asking that either the committee or the chair say to the researcher prior to each meeting, "Would you please prepare something," I am prepared to do that, but I think that--

Mrs. Scrivener: We have agendas that are prepared well in advance. I have the fall agenda with a list for every meeting, so we know in advance what we will be requiring, and that surely is part of the discussion when we are preparing that agenda.

Mr. Philip: I am willing to trust to the chair's decision, along with any counsel from any one of us that may have a point of view to express to him to convey to the library on a regular basis. I am happy with the research we are getting.

Mrs. Scrivener: I am not satisfied at the present time. That is why I have raised this issue. That is why we have spent an hour discussing it.

Mr. J. A. Taylor: Could I suggest to you, Mr. Chairman, that in the future if you are requesting a report on behalf of the committee, you could just indicate to the committee, "Is it in order that I have requested this report?" Then I would ask Margaret Scrivener to withdraw her motion so that we can get on with the agenda.

Interjections.

Mr. Philip: It is done every week. You get them every week.

Mr. J. A. Taylor: Do not be so argumentative, Mr. Philip. You are in an awfully abrasive mood today. Smile.

Interjections.

Mr. Chairman: Would it solve everybody's problem if you left it to the discretion of the chair to give direction to the legislative researcher? Would that satisfy you?

Mrs. Scrivener: I really think, Mr. Chairman, perhaps you should consult the committee beforehand. You could recommend to the committee, but I think that perhaps the committee should have some input as to the kind, quality and extent of the additional information that is required. That is what a committee is for, after all.

Mr. Chairman: All right. We shall be dealing with some suggestions of Mr. Philip later on in regard to other matters. So are you withdrawing your motion?

Mrs. Scrivener: Yes.

11 a.m.

Mr. Chairman: Could we proceed then with the business at hand? Would you gentlemen like to join us, please? Dr. Wilson, would you care to make some opening remarks on the matter before us this morning?

Dr. Wilson: Yes, thank you, Mr. Chairman. I will be brief. We have read the printed account by the provincial auditor. We have not seen the document that has just been under discussion, but perhaps it is not necessary that we should. As requested, we have brought the original tender documents which you wanted, I think, and they are here. The three documents were brought in and are at your disposal. I do not think the facts are greatly under dispute; it is more or less the interpretation you place on them.

I was asked to leave the university and come to the centre. The only instructions I had were they wanted to be sure that I was satisfied that the education and science were good at the centre. I found that to be the case in general. There was a bookshop which had been tendered before the centre opened, 10 years earlier. It was a very good bookshop but it was not a science shop; it was a general shop. We wished to change that because it would be more in keeping with the general type of institution if we had one that was devoted more particularly to science, so we were keen to have one that was devoted towards science. I think the whole attitude has been that we have tried to do that.

There was a committee appointed to receive these tenders. The one which seemed most favourably, financially and for the operation of the centre, from the point of view of the taxpayer and the public who attend the centre, was accepted. It was recommended to be accepted and we accepted that. That really is the basis of our attitude.

Mr. Chairman: Dr. Wilson, there is reference made to the committee that dealt with those tenders. Who were those people?

Dr. Wilson: They were members of the staff of the centre who have the most to do with that. Mr. Gillman, who is the controller at the centre, I think has a list of them here.

Mr. Gillman: The director of administration of the ministry, Mr. James Dyl, I think was a member of the committee. I think at that time, it should be pointed out, the science centre did not conduct its own administrative affairs. That is probably background information. Basically, it was dependent upon the Ministry of Culture and Recreation for its administrative support. It had very limited administrative facilities at that time.

Mr. Peterson: Could you tell us what they did and what you did? What administrative functions did they do? Were they in-house people?

Mr. Gillman: All the accounting was done at the Ministry of Culture and Recreation.

Mr. Peterson: Offsite?

Mr. Gillman: Offsite. They had a local purchasing function which was the purchasing agent who dealt with this. Payroll, personnel and all those matters were dealt with basically by the ministry. Dr. Wilson and Mr. Reilly were really running the place but the administrative backup was supplied by the ministry. I do have it here somewhere if I could just come back to it later.

Mr. Chairman: While Mr. Gillman is looking, are there any questions?

Mr. J. A. Taylor: Are the specifications when you are calling tenders prepared by your people or are they prepared by Culture and Recreation? Who calls the tenders and what communication is there between those preparing specifications and those actually calling and letting tenders?

Dr. Wilson: Because there is dual control of the centre between the Ministry of Culture and Recreation and the board of trustees of the centre, there is constant communication between the staff who are located at the centre and who belong to the staff of the centre and the staff of the Ministry of Culture and Recreation. Nothing of that nature goes forward without both parties agreeing.

Mr. J. A. Taylor: For example, in this particular case, I gather if you wanted to upgrade the bookstore and make it more relevant to the facility that you were operating--

Dr. Wilson: I do not know that we wanted to upgrade it; it was very satisfactory. We wanted to make it more relevant. I think we insisted on that and that is why the original holders of the contract did not reapply. W. H. Smith, who had held the contract, did not reapply because they ran a general bookstore and wanted to continue to run a general bookstore. It was our opinion, and the centre was so written, that they should run a science shop.

Mr. J. A. Taylor: Then I understand there was a review of facilities in other jurisdictions. Is that correct?

Dr. Wilson: Indeed, that is so.

Mr. J. A. Taylor: As a result of those field studies and other information, you must have come to some conclusion as to what you required and, accordingly, prepared some specifications and parameters for tender. Am I right on that?

Dr. Wilson: That is right.

Mr. J. A. Taylor: Once those are prepared, are they transferred to the ministry for tendering out?

Dr. Wilson: Yes. Mr. Dyl was the representative on the committee that prepared the tenders. He is a member of the staff of Culture and Recreation, not of the centre. So it was a joint committee that prepared the tender, and it was sent out under their name.

Mr. J. A. Taylor: Who lets the tender then?

Dr. Wilson: The committee looked at the tenders and recommended that the one that was most favourable from a financial point of view and from the point of view of the science centre would get the tender, and that is what happened.

Mr. J. A. Taylor: The centre calls for tenders?

Mr. Gillman: The centre called for tender.

Mr. J. A. Taylor: Therefore, the centre then lets the tender?

Mr. Gillman: Yes.

Mr. J. A. Taylor: But the review of those tenders is done jointly. Is that what you said?

Mr. Gillman: Yes. it was done jointly and will be done jointly in future. I have the names of the members of the committee. The committee appointed was Mr. George Sidey who was the purchasing agent of the centre; Mr. James Dyl who was the director of administration of the ministry; Mr. Al Thompson who was in charge of science centre personnel; Mr. von Kaufmann who was a financial officer at the centre; Dr. Mendis who was a scientist; Mr. Bell who was public relations and Ms. Egan who was public relations.

Mr. Chairman: Just one other point of information before I call Mr. Cunningham. What were the positions of the two gentlemen who got the tender at the science centre? What was their function?

Dr. Wilson: One, Dr. E. Grace, if I interpret you correctly, was the editor of a paper we issue. He was the editor

for the centre but he particularly got out the paper called New Science. He also looked after the library at the centre. He has a PhD in biology and is a good scientist. The other was Dominic Rivero who had been in charge of the travelling shows which we send around the province and, therefore, was familiar with our operations to a greater extent than other members of the staff.

Mr. Cunningham: Very briefly, Mr. Chairman, Dr. Wilson, I think that your facility is a real credit to the province and I am very pleased, with this possible exception, with its operation. I think you should be commended.

My only concern is, is it really necessary that we have such a sales concession facility there? Is that absolutely integral to the operation of the facility?

Dr. Wilson: I think it is very desirable because large numbers of the public come, nearly 1.5 million a year come. They obviously come to the centre because they are interested in science and they make large purchases at the centre. This suits their needs and their wants and it educates the public, which we are supposed to do. It provides revenue to the centre and also revenue to the taxpayers.

Mr. Cunningham: I accept your judgement on that. Subject, of course, to having this particular matter corrected and rectified so that it does not happen again, I have no particular complaint with the operation of the centre at all.

Dr. Wilson: Thank you very much.

Mr. Philip: I must say I am pleased that someone of your stature and experience is taking time away from his other busy life to devote it to the centre. I do have a couple of questions concerning the drawing up of the tender. The two people who were connected with the company that eventually got it were also part of the team that drew up the specifications of the tender. Is that correct?

Dr. Wilson: No. they had nothing to do with it.

Mr. Philip: They did not?

Dr. Wilson: No.

Mr. Philip: That was a claim made in one of the newspaper articles and I wanted to find out whether or not that was the case.

Dr. Wilson: You have just heard the names of the committee that drew up the tender and accepted the tenders. Their names were not included and they were not present. When they indicated to me that they proposed to tender, I was astonished and I told them that they would have absolutely no part in any of these proceedings.

Mr. Philip: But the research that led up to the drawing up of the tender was done by these two employees. Is that correct?

11:10 a.m.

Dr. Wilson: Yes. We had a feeling of dissatisfaction with the nature of the shop, not with the operation of Smith's shop at all, but because it was not a science shop. We realized that other centres and museums had shops which made money and were successful and had a large science element.

It was all very well to have a feeling, but we thought we should have some facts; so we sent two people whom we thought would be suitable to establish some facts. Obviously, anybody in the book business would know these facts, but we were not in the book business and, therefore, we did not know them; so we sent these two people out. We thought a biologist who was an editor and was in charge of the library and who would know about books was a good person to send to investigate bookshops. We also thought a young man who travelled a lot and saw other museums and saw what they did was a good man to travel. So we sent these two out.

Mr. Philip: If I understand your statement correctly, while the two people that eventually were part of the company that was awarded the tender did not draw up the tender, they did all of the research on the basis of which the tender was drawn. Would you not say that would affect fairly dramatically the manner and content of the tender?

Dr. Wilson: They had nothing to do with drawing up the tender, except that they had ascertained for us what other shops did in other museums. This was apparently known to the book trade because it is evident in one of the tenders from one of the other people who failed to get the tender. They refer to the operation of other museums. I do not think that they found out anything that was not already well known in the book trade.

Mr. Philip: Are you then suggesting that the information which they had obtained by being insiders would not have given them any advantage over other people bidding on the tender?

Dr. Wilson: On the contrary, I remember that the concern, when it was suggested that they should get the tender, was whether they knew enough to run a bookshop. We thought they might not have enough information. It is true, they had been to look at a few other bookshops, but that is very different from having run a bookshop or having it run in operation for many years. We thought they might be inadequate for the job they proposed to undertake, but they did offer to make the best return and they seemed to have the suitable qualifications, though lack of experience; so we decided to take the chance.

Mr. Philip: It is stated in the auditor's report that when the two employees in particular notified the Ontario Science Centre management that they were intending to submit a tender for the concession on behalf of their company, you sought an informal legal opinion from the Ministry of Culture and Recreation as to the existence of a possible conflict. That would be you, Mr. Reilly, that would have directly asked for that information?

Mr. Reilly: I think it would have been done through Dr. Wilson at the time.

Mr. Philip: On your instructions?

Mr. Reilly: No, under Dr. Wilson.

Mr. Philip: Under Dr. Wilson's instructions?

Mr. Reilly: Yes.

Mr. Philip: Since the management had approved of the original research conducted at the time by those two employees that led up to the tender, was that information part of the information that was supplied to the legal counsel at the Ministry of Culture and Recreation?

Dr. Wilson: It was available to them, but I do not know that we supplied it to them. I do not think that it had occurred to us to do that.

Mr. Philip: Would you know, Mr. Reilly, if they obtained that information in any way? Were they supplied with that information?

Mr. Reilly: It would be as Dr. Wilson has suggested. It would be available. I am not sure that it was directly given to them at the time.

I suppose, Mr. Philip and Mr. Chairman, what I should point out is that the trustees then got the recommendation from the committee that these people be assigned the contract. The trustees were very anxious to make sure that there was no conflict of interest and held a special executive meeting in connection with it and we were assured that there was no conflict of interest.

To give you some of the background, as Dr. Wilson has pointed out, W. H. Smith and Company was a general bookstore that operated for 10 years. Dr. Wilson had been in touch with the president of the bookstore and with the officials of the bookstore. He had suggested to them that they make these changes, but they were not interested, even though they were personal friends of Dr. Wilson. They were not interested in making the changes at all.

Mr. Philip: I find your answer somewhat confusing because if there was such a concern by the trustees, why would you not have supplied the very information that would be the most controversial to the legal authorities, since you were seeking a legal opinion?

Dr. Wilson: I think that our concern in getting this information was that we thought that W. H. Smith would probably tender, and we wanted to have some ammunition to show that other bookshops in other centres did better than Smith's bookshop because they ran a science shop, whereas Smith's was a general shop; so the research was done to arm us against any arguments that Smith's might have but, as it turned out, Smith's refused to tender.

Mr. Chairman: But that is not the point, Dr. Wilson. The point is whether or not, in seeking a legal opinion from the Ministry of Culture and Recreation, the lawyer was aware that these two people had in fact done this research, for whatever reasons. It is indicated in the auditor's report that the two employees asked to be able to do this; that the direction did not come from yourself or the board, but it came from the request of these two employees to go out and do this research. They then did the research, but when you requested a legal opinion, the lawyer in the Ministry of Culture and Recreation was not aware that (a) these two people had requested to do it and (b) that they had in fact done the research themselves.

Dr. Wilson: I think the difficulty may have arisen because of the divided situation in which the centre finds itself. On charts, for a time, the Ontario Science Centre was shown in two positions. One was answering to the minister through the chairman and one was answering through the director general to the deputy minister, which is rather an odd situation to find yourself in two positions on an organization chart.

What was discussed about this research was well known to the senior staff who met every week. It was discussed by them and the report was available to them and was circulated and so on, so everybody at the centre knew all about it. But the legal officer is not in the centre; the legal officer is in the ministry, because of this divided type of administration we have, which makes life a little difficult. Therefore, we may have failed to send him all the pertinent information which we should have sent him, in hindsight.

Mr. Philip: The other thing I find strange is that if there was that much concern by the trustees, why was an informal legal opinion requested rather than a formal legal opinion? I would think that if I were a trustee and concerned about something of this nature I would want a legal opinion, if for no other reason than to protect my ass later if something was raised about it.

Mr. Reilly: Mr. Chairman, in answering Mr. Philip, I would say that the trustees come in towards the end of the transaction. The work in connection with it is done through the centre and through the director general, and then when the trustees meet, the information is given to them and they make the decision, just as you are doing here now. So we do not work with the details of it as trustees. It is done through the director general and the management staff and then the recommendation comes through to the trustees. It was at that time that we made the decision to accept the recommendation. We do not deal with the detail of it; that is done through the director general and the management staff.

Mr. Philip: What knowledge did the trustees have of the background of the two people? At what point were they informed of the background of the two people?

Mr. Reilly: When the trustees met and listened to the three bidders, at that time the qualifications were announced.

Mr. Philip: It was announced that they were the ones who had done the research leading up to the tender?

Mr. Reilly: Well, I am not sure that was announced. I could not say that, sir.

Mr. Philip: So the trustees may have been working in the dark? Maybe that is one of the reasons they asked for an informal opinion. They were not fully aware of the background of one of the bidders. Is that what you are saying?

Mr. Reilly: Perhaps I have not made myself clear. As far as the trustees themselves are concerned, they did not ask for particulars at all. Those who would tender submitted the tenders; then they had to make a decision among the three people who had tendered, and among the three, I think they accepted, almost unanimously, the recommendation of the committee on the basis of the facts that were presented.

Mr. Philip: Was a legal opinion sought in terms of the initiation of the trustees or the initiation of management?

11:20 a.m.

Dr. Wilson: This report makes it clear that there were about four legal opinions sought and they did not agree. The first legal opinion was sought on January 26 when the two employees informed me that they intended to bid. Then I discovered that they would have to tell the deputy minister, which they did in writing, of their intention, and it was management, as it states on page 63, that sought informal legal opinion. It would be informal because it was within the branch, within the ministry. We got the opinion of the legal officer whether any conflict would exist. He said the law says that these employees must tell the deputy minister, which they did in writing, on January 27 or 29.

Interjection: January 27.

Dr. Wilson: Then later in May, some months later, when the tender had been awarded, then the trustees considered the matter and further legal opinions were asked. Unfortunately, not all of the legal opinions entirely agreed.

Mr. Chairman: But, doctor, you keep missing the point. I do not know whether you are doing it on purpose or not, but the point is that these legal opinions, certainly from the ministry itself, were not aware that these two people were employees who had initiated the study in the first place and had done the study on which the tenders, presumably, were drawn up. You say that legal opinions differ, but if you were giving different information to each lawyer, obviously the opinions would differ--if you are not giving them the whole story. One can only wonder why the lawyer in the Ministry of Culture and Recreation did not have the full story on which he based his first opinion that, no, there was not any conflict of interest.

Dr. Wilson: When he first informed me in January, he asked for an informal legal opinion within the ministry. The

important part of the reply to my mind was that they had to inform the deputy minister. I am sorry if I did not, at that time, give the legal officer as full information as I might have. Later, of course, in May, when we wanted more formal opinions, this information was all made available. But we just telephoned the legal officer and asked him about this and he said he would have to tell the deputy minister.

Mr. Philip: Maybe I missed your answer. In May 1979, the tenders for the concession were viewed and the tender committee decided that the employees' company had made the best submission. Was the tender committee aware and were the trustees aware at that time of who was involved in that company? I think I have received an answer, but I am not sure of whether it is a yes or a no answer. Maybe it is just that you do not know.

Dr. Wilson: It was made apparent on January 26, some time before that, that Science City Inc. and two of the principals in it were not employees of the centre and they informed the deputy minister of that in January.

Mr. Philip: Were the trustees then aware of that when the decision was made in May 1979?

Mr. Reilly: Yes, they would be aware of that.

Mr. Philip: They would have been aware of that. I think your earlier statement or Mr. Reilly's suggested that he did not know if they were aware of it.

I have a number of other questions, but I have taken a long time so I will pass on and then perhaps I can be put back on the list, Mr. Chairman.

Mr. Chairman: Mr. Cousens and then Mr. Peterson.

Mr. Cousens: Mr. Philip asked my question.

Mr. Peterson: Just briefly, what was the sequence of events of the tendering process and their resignations? I assume both of them are now working full-time in the bookstore. Is that true?

Dr. Wilson: That is right.

Mr. Peterson: At what point did they resign? Before they submitted the tender or after?

Dr. Wilson: Before they received the contract.

Mr. Peterson: In anticipation of tendering they resigned?

Dr. Wilson: No. They tendered and told the deputy minister.

Mr. Peterson: They tendered as employees.

Dr. Wilson: Yes.

Mr. Peterson: Did they resign only after they were awarded the tender?

Dr. Wilson: Yes, but before they were awarded the contract. When they were told they could get the contract they resigned. It is stated in the auditor's report.

Mr. Chairman: On page 65, it indicates that the employees in question submitted their resignation effective July 20, 1979, and the three-year agreement, September 1, 1979 to 1982, between the employees' company and the centre was signed on July 21, 1979. But as I understand it, the decision was made on May 29 that they were to get the tender.

Dr. Wilson: Yes.

Mr. Chairman: So they knew that they were going to receive the tender on May 29 but did not resign until July 20.

Dr. Wilson: Yes. They had, however, told the deputy minister in January that they would be going to tender.

Mr. Peterson: But they covered their downside. They firmly had the tender in hand before they resigned.

Dr. Wilson: Yes.

Mr. Philip: As a supplementary, if I may, is it not true that the ministry's director of legal service informed you that the employees did indeed have a conflict of interests and that it could only be avoided if they had resigned prior to indicating their intention to submit a tender? I emphasize the word "prior." Is that not the case?

Dr. Wilson: No. They said they intended to tender in January and nobody told them they should resign.

Mr. Peterson: Just a couple of more questions. How much business was this going to make?

Dr. Wilson: The contract was that they would have a minimum return to the government of between \$40,000 and \$60,000 a year, a mounting sum.

Mr. Peterson: Do they pay rent or a percentage of gross or what?

Dr. Wilson: They pay 13 per cent--a minimum of \$40,000--odd the first year, \$52,000 the second year and \$58,000 the third year.

Mr. Peterson: Have they hit that?

Dr. Wilson: They have done very much better. They have much exceeded it.

Mr. Peterson: How much have they returned to you?

Dr. Wilson: Do you know that figure without a calculator?

Mr. Peterson: What is their total volume?

Mr. Gillman: It is running nearly \$600,000.

Mr. Peterson: How many employees do they have?

Dr. Wilson: I would say that varied considerably at different times of the year. There is much more business in the summer than there is in the winter. They probably have part-time employees. I do not know. It is not our business. It is their business.

Mr. Peterson: There is no way you could run this yourself and make more money out of it.

Dr. Wilson: The second report that they tendered in January was the suggestion that we should run this because it was obviously profitable. It seemed to be profitable and the centre should run it. But this was not the way in which the centre was established by the act, so we had to make a concession and tender it, and that is the way we did it.

Mr. Peterson: How many square feet do they have?

Mr. Gillman: It is in the tender that we tabled. I do not have it offhand.

Dr. Wilson: It is quite a small area--a shop, a little storeroom behind it and an office. It was built as a small shop when the centre was designed by the architect.

Mr. Peterson: This last year you got \$58,000. What was your take?

Dr. Wilson: A minimum of \$58,000. It was 13 per cent but the minimum was \$58,000.

Mr. Peterson: Do you know what that figure was off the top of your head?

Mr. Gillman: No. I am sorry, I did not come down with it.

Dr. Wilson: I am afraid I do not have it either.

Mr. Peterson: Do they have to resubmit the tender by November 31 this year, or is that the deadline date to pick them? When is that tender up?

Dr. Wilson: The tender is due on August 31.

Mr. Peterson: August 31.

Mr. Chairman: In 1982.

Mr. Peterson: But they have to submit by November 31 of this year.

Dr. Wilson: As a matter of fact, we are already preparing documents for tendering now. The board of trustees have informed us that they want to take it to the committee nine months in advance of August 31.

Mr. Peterson: I understand a communique from the ministry said you must have nine months lead time, which is November 31 of this year.

Dr. Wilson: That is right.

Mr. Peterson: For July 31 of next year. Is that right?

Dr. Wilson: That is right.

Mr. Peterson: Have they resubmitted?

Dr. Wilson: At the present time, we have the documents prepared among the staff, but they have not been issued to the public. We have not called tenders yet, but they will be called in the next week or so.

Mr. Peterson: How will that work? Does someone come in and say, "We are giving you 13.5 per cent of gross guaranteed for, say, \$58,000"? or whatever the figure is. Then suppose someone comes in and says, "We will give you 15 per cent, guaranteed \$70,000."

Dr. Wilson: If they met the terms of the contract, I am sure that the committee would wish to award it to them if it seems they were suitable people.

Mr. Peterson: In other words, you are going to bid them up.

Dr. Wilson: We are going to call tenders to see what seems the best bid. If most people seem to be genuine and competent, the one who makes the best bid will presumably get it.

Mr. Peterson: It is not just a financial consideration.

Dr. Wilson: It is largely financial, but one has to protect oneself against people who would seem to be--certainly the last one was made on financial consideration.

Mr. Peterson: Are you going to allow these disgruntled people like Spectrum Educational Supplies Limited to tender?

Dr. Wilson: Of course, if they wanted to do so.

Mr. Peterson: You do not know, at this point, how many tenders you are going to get.

Dr. Wilson: I have no idea.

Mr. Peterson: Assuming you will be involved in selecting the next bidder, how do you see this exercise of three

years ago that we are going through today reflecting on the choice this time?

Dr. Wilson: We will certainly be very careful to get a committee that is going to be considered impartial. We will go at it very much more carefully. Again, I think it is the general policy that should consider the best financial return to the government.

11:30 a.m.

Mr. J. A. Taylor: Some of my questions have already been asked. Maybe you could confirm for me that there were three tenders and that they were all reviewed thoroughly.

Dr. Wilson: Yes.

Mr. J. A. Taylor: You made the recommendation of the award on the basis of the best tender in terms of its return to the government and performing the function that it was intended to perform.

Dr. Wilson: That was the recommendation made to me by the committee that was appointed to review the tenders and that I passed on to the board of trustees and that they passed to--

Mr. J. A. Taylor: I am concluding that what you are saying is that the government and the people got the best deal, notwithstanding an apparent conflict of interest. Is that your view on that?

Mr. Reilly: Absolutely.

Dr. Wilson: It's mine also.

Mr. J. A. Taylor: I am drawn to that conclusion, Mr. Chairman. What troubles me is that it should not take three legal opinions to determine what is ethical and what is not ethical. Maybe that is the essence of it.

Mr. Chairman: That is how you lawyers make money.

Mr. J. A. Taylor: In any event, I am concerned about the money that is being spent by the province, the people's money. Mr. Chairman, maybe you can assist me in this regard. There is no allegation of a waste of money here. It is a question that there was an award to certain persons who seemed to be and, I suppose, were in fact in a preferred position. They had an inside track, so to speak; they were involved in the field work. Even if at that time they had no intention of taking on the business themselves, at least they had that knowledge.

Dr. Wilson, I gather what you have said is that they had recommended that your organization run the shop itself.

Dr. Wilson: Yes.

Mr. J. A. Taylor: If that is so, it leads me to believe

that they had not entered their investigation with the intention of resigning their jobs and taking on the enterprise.

Dr. Wilson: It never occurred to me that they would have done so.

Mr. J. A. Taylor: So the factor is conflict of interest or apparent conflict of interest. I can only conclude that it is a matter of ethics and this type of thing just cannot be countenanced in public enterprise or private enterprise as a matter of fact, I suppose.

Mr. Chairman: By the way, I have the three tenders if anybody would like to look at them.

Mr. Cunningham: How far apart were they?

Dr. Wilson: It is in the document here. Mr. Sidey, chief of purchasing, who was chairman of the committee that reviewed the tenders, gives: Science City Inc., 13 per cent of all retail sales, not less than certain sums for the three years; Spectrum Educational Supplies Limited, 11.5 per cent of all retail sales, not less than certain sums; and Esstonscience Inc., eight per cent. They comment that W. H. Smith who had been the previous concessionaire refrained from quoting.

Mr. Peterson: What was Smith getting it for?

Dr. Wilson: Ten years before it was a somewhat different arrangement. Before the centre opened the contract went for 10 years; this one only for three.

Mr. Reilly: I think it was closer to eight, but I could not be sure.

Mr. Shymko: I wanted to address my questions specifically with regard to the report of auditor on page 65. I would like to ask Dr. Wilson when the request was made in November 1978 by the two employees to travel to the seven cities in the United States to study the operation of museum stores, was there any indication at that time that they may have had some interest in operating one?

Dr. Wilson: None at all.

Mr. Shymko: Obviously the intention of the travel was to submit some form of a report. Was there a report issued after their travel?

Dr. Wilson: Yes, they issued two reports.

Mr. Shymko: Is it a normal procedure that you would report after travelling?

Dr. Wilson: I expect people who travel to issue reports on what they have done.

Mr. Shymko: Is the report the same as the study that

they had requested later on? Or is the study something different from the report of their travels?

Dr. Wilson: The report was the result of their studies.

Mr. Shymko: No, the study is the result of the report.

Dr. Wilson: Well--

Mr. Shymko: My question is: It says in the auditor's report that the request for the study was made by the two employees. I just wondered whether it is not normal procedure that the administration of the centre would commission a study rather than to have someone volunteer to make a study.

Dr. Wilson: I believe we discussed the matter at the senior staff meeting which is held every week. They seemed to be suitable people to go and we sent them. As I explained, one was a PhD in biology, the editor in charge of our library and obviously knowledgeable about science books which we were concerned with; the other man is a young man who travels a great deal around Ontario, as you know he is travelling with the science circus and so on, and he would know about other museums and their behaviour. So they were very sensible people to send.

At that time we were chiefly concerned to improve the quality of the book shop in the direction of science, because we felt Smith's had been running a general book shop and that is not what we wanted. We wanted to get some information so that we could get more science into the book shop. We wanted to establish the rate the science shop would pay, as well as the general book shop.

Mr. Chairman: But the point we were trying to get is that these gentlemen were the ones who initiated it, not the board of directors or the chairman.

Mr. Shymko: What I am trying to ask specifically is after they returned from the travels and submitted a report, there was a study that was made. They made the request for the study. Normally you would think that it is the chairman who would commission such a request, rather than to have it volunteered from the two individuals.

Dr. Wilson: Grace was in charge of the library. He was in charge of editing scientific material. He was one of the people most knowledgeable in the centre about scientific information. He was a very logical person to go.

Mr. Shymko: Was there any indication when the reports were issued--it says that the reports were issued in January 1979 and that already in the same time, the company was formed in January 1979. My understanding is that January 26 is mentioned, when the intention was made and the information was submitted to the deputy minister that they would submit a tender.

In other words, a company had already been created on January 26 apparently. When you notify the deputy minister that you will be submitting a tender, normally the company would have

already existed before January 26. Would you have any idea when the company was formed?

Dr. Wilson: No. I am a little lost about the statement that the research was conducted during December 1978. As far as I am concerned, the reports they submitted were the research; they went on the trip, they made two reports and that was the research.

Mr. Shymko: Would you have any information on when their company, Science City Incorporated, was formed?

Dr. Wilson: I do not know.

Mr. Shymko: Is not this the information that would be somewhere on the tender?

Mr. Chairman: I do not think it is.

Mr. Shymko: Normally you would describe a company and when it was created. I just wondered whether the company had existed prior to the request by the two employees to make the study.

Dr. Wilson: I do not think there was any likelihood of that at all.

Mr. Shymko: There was not any?

Dr. Wilson: No, I was astonished when they--

Mr. Shymko: You were surprised yourself when they--

Dr. Wilson: I was astonished when they offered to resign. I said they would have to resign and they would have to let the deputy minister know, that they were taking a chance and that they could not expect to re-employed should they fail to get the contract.

Mr. Shymko: In other words, there was no impression on your part that they had intentions of forming such a company when they were travelling, or when they were making certain requests--

Dr. Wilson: None at all.

Mr. Shymko: The other information is that apparently according to the letter written by Spectrum, dated January 6, 1981, they mention that on June 4, 1979, they were informed, obviously by the science centre, that Science City was awarded a tender. On June 4 they were informed that the award was already given.

According to the auditor's information, such an award was not given on that date. As a matter of fact, it was officially done on July 21, 1979. At that time there was an intention, apparently, to give the award but it was conditional, was it not?

11:40 a.m.

Dr. Wilson: Yes, we had had the report from the tendering committee and they said that Science City Incorporated had the lowest tender, so we presumed that they would get it.

Mr. Shymko: Would you normally inform the other competitors that the decision has already been made? Who gave the information on June 4 that actually the tender was awarded? On what basis would they say this in their letter of January 6, 1981?

Dr. Wilson: I do not have this letter.

Mr. Shymko: We apparently were given a copy of a letter addressed to Mr. Patrick Reid, the chairman of the public accounts committee, and signed by the president of Spectrum, which states that on June 4 they were told by you that the award of the tender was made. I just wondered whether it is fair to inform other competitors that it is a fait accompli, rather than to say, "We do have the possibility of the award going to this company, but it is conditional; we are still pursuing it and it is not a conclusion."

I just wondered whether you were aware of that information going to one of the applicants.

Dr. Wilson: I do not think I sent the information, but in any case at that time the contract had not been legally awarded, it was not signed until July.

Mr. Shymko: So normally you would not tell people it was awarded on June 4?

Dr. Wilson: I think it is a kindness to let them know that they are unlikely to get it.

Mr. Shymko: I just wondered whether that particular statement in the letter is true or not. It is very important to us to know.

Mr. Chairman: Yes, it is. They were sent a letter on June 4 from the science centre under Mr. Sidey's signature; it was to Spectrum Educational Supplies saying: "We are returning your certified cheque. The successful bidder was Science City Incorporated."

Mr. Shymko: Who signed it? I do not have the June 4 letter.

Dr. Wilson: Mr. Sidey is the purchasing agent at the centre. He was returning their \$20,000 bond so they would not have to pay for it any more, because it seemed likely that the contract would eventually be given to Science City Incorporated.

Mr. Shymko: Do you think it was proper at that time to make the statement that already an award had been made?

Dr. Wilson: I have every confidence. Mr. Sidey is a very experienced purchasing officer who has been in government a long time. He runs courses for other purchasing officers and I am sure that he is fully aware of the proper procedures.

Mr. Shymko: Was he not aware that the tender was still conditional?

Mr. Reilly: It was not conditional at that time. We had to wait for the legal signing of the contract, so it would be regular procedure to inform the participants.

Dr. Wilson: He sent them their bond for \$20,000 back, which would be important to those people.

Mr. Shymko: My final question--I am sure I am repeating this, it may have been addressed before--is simply speculation. It is addressed to Dr. Wilson. Would you not say that had the director of legal services of the ministry and the Deputy Attorney General been aware of the information that the two gentlemen of the company were involved as employees, perhaps their conclusions would have been different?

Dr. Wilson: I do not see how you can say that. I think it was very reasonable that we should find out whether a science shop would be more favourable to the science centre than a general shop, and that is what we were trying to investigate. At that time we had no idea that these difficulties would arise. We were just trying to find out how best to run a science shop.

Mr. Shymko: In other words, their conclusions were made without the benefit of some additional very important information but you think their conclusions would not have been different had that information been given to them?

Dr. Wilson: I think that is speculation.

Mr. Shymko: That is hard to say.

Mr. Philip: What I find hard to understand--I am a layman and not a lawyer--is when I read section 33(1b) of the Public Service Act it states fairly clearly that a public servant shall not engage in any outside work or business or undertaking in which he has an advantage derived from his employment as a public servant.

What I find hard to understand, and I am looking for your help on this, is how the people who have done research leading up to the tender would not have the advantage that is claimed under subsection (1b)? I think I asked that question earlier in a different way, but I really have not had an answer that gives me that kind of assurance and I am asking it again.

Dr. Wilson: My answer was that at the time we discussed this matter when the tenders had been called and it was suggested that Science City should get the contract, our concern was whether they had enough experience to know how to run the thing. Our concern was that they did not know enough, not that they knew too much.

We had sent them on this trip in order to establish the fact, which we wanted to know, that a science shop would be more

useful and more remunerative to the government and to the centre than a general shop. These two young men had been employed in the civil service. This gave them no experience in running a shop. Both the other tenderers had run shops and presumably knew all this already.

Mr. Philip: So in a sense then the public purse paid for their getting the job training, if you want, that made them successful in the tender. Is that not the case?

Mr. Reilly: I do not think so. I think the information could be available to anybody who wanted to bid on it.

Could I point out one thing, Mr. Chairman, to Mr. Philip? Here is a letter to the deputy minister dated January 26, 1979, in which they say there would be a conflict of interest, they admit this. They say, "We wish to declare a conflict of interest in the matter of tender for the merchandise and nonfood concession at the Ontario Science Centre." So they have done what they were supposed to do under the Public Service Act. They have informed the deputy minister that there was a conflict of interest, that they were two employees. And subsequently they resigned.

Could I explain the situation to the members briefly? I am sure if the members who are sitting on the committee here now had sat on the Ontario Science Centre board as trustees, they would have arrived at the same conclusion we did. First of all, we have an enviable reputation, we did not want to blemish it in any way. We were particularly careful that anything that we did was done according to the act.

Dr. Wilson had sent two fellows out to check the various places--seven cities, I suppose, in total--and they brought back a report. He says not an update, but I think it was also an update and to bring the book concession and give to the public what they wanted; certain things from the standpoint of science, not just one of 100 outlets where they dump off a delivery of several books, and that is the way W. H. Smith operates. I have no objection to this, this is their way of doing it, but it was not adequate for the science centre. We wanted to do it for the public interest. In doing it, we thought we would get a review of other places.

The two fellows who went out had no idea that they would ever be bidding on it, absolutely none. I was one who said, "These boys do not have any experience," and when I learned later they had mortgaged their homes in order to finance it, I thought they were taking a chance in connection with it. It is not my job as a trustee to wonder whether they are capable. If they are willing to take a chance and mortgage their homes to help finance it, many people have done this in the hopes of getting started in business some way; and so they started.

Mr. Cunningham: Why would they tell you they had mortgaged their homes?

Mr. Reilly: This was afterwards. I learned all this afterwards.

Mr. J. A. Taylor: On a point of clarification arising out of Mr. Philip's quotation from section 33(lb) and it might be helpful, because I think Mr. Philip interprets that to mean there was a conflict of interest pursuant to that section, as I understood him. Reading that subsection, it says, "A public servant shall not engage in any outside work or business undertaking, (b) in which he has an advantage derived from his employment as a public servant," which indicates a concurrence.

11:50 a.m.

At the time of taking on the contract, signed the contract, he was not a public servant and at the time of engaging in the business--"A public servant shall not engage in any outside business"--he was not. In other words, he was not engaging in any outside business at the time he was a public servant. At that time he had resigned.

Mr. Chairman: No, they had not.

Mr. Philip: No.

Mr. Chairman: The contract was awarded, Mr. Taylor, before these gentlemen resigned.

Mr. J. A. Taylor: No, it was not.

Dr. Wilson: No.

Mr. Chairman: When did they resign, Dr. Wilson?

Dr. Wilson: It is stated here that they resigned on--

Mr. Chairman: All right. But they had been awarded the contract. The documents were not signed until July 21 and they resigned on July 20--

Dr. Wilson: That is right.

Mr. Chairman: --but you had made known to these two gentlemen, because you had made aware everybody else on June 4, that the contract had been awarded to Science Centre. I presume you had also informed the science shop concession that they had the contract on June 4. So they knew before they resigned, or the resignation took effect, that they had the contract, whether the legalities were tidied up or not.

Mr. J. A. Taylor: The point it--

Mr. Philip: The key though, Mr. Chairman, is not when the contract was awarded, but rather when it was submitted. Indeed the ministry's director of legal services replied, in dealing with section 33(lb), that the employees did have a conflict of interest which could have been avoided only if they had resigned their positions at the science centre prior to indicating their intention to submit a tender. So it is prior to submitting the tender, not the time at which the tender is awarded.

Furthermore, the Deputy Attorney General had stated, and I refer you to page 64 of the auditor's report, that the employees were in conflict of interest under section 33(lb). So we get all of this legal opinion that there is a conflict of interest under section 33(lb). I am not a lawyer and I know you are, but if I have to take a legal opinion at this time, I will trust the Deputy Attorney General and the director of legal services of the ministry itself, both of whom have come to that conclusion.

Mr. J. A. Taylor: Mr. Chairman, I am not competing with opinions of personnel in any of the ministries of government. What I am trying to point out is the distinction that has been made this morning between the tender documents and a communication to the person who was the successful tenderer and the actual contract document itself, which would be executed at a later date, and, as I understand it, was executed at a later date. So there was that time difference.

Obviously the successful tenderers knew that it was in the bag, so to speak. They knew that the contract would be awarded to them, even though the actual contract had not been executed. What I said before earlier this morning, probably an hour ago, is that the process which took place, in my view, left much to be desired in terms of the ethics of the situation. Leaving the legal issue aside from it, I do not think it was ethically or morally correct to proceed in that way.

So I am not condoning the ethics and what transpired, but I am satisfied, from what has been said, that the people who were awarded the tender were the best qualified and made the best proposition. The work of the science centre, presumably, was enhanced because of that, the government's coffers were enhanced so the people of Ontario have generally benefited from that contract, notwithstanding that ethically there is something here that should not happen.

Mr. Philip: The basic principle involved has nothing to do with whether they were successful in obtaining the contract or not. It has absolutely nothing to do with the fact that they received the contract. That is completely irrelevant to the case we have before us. We have been through this in an analagous case of alleged possible violations of the Criminal Code of Canada in civil servants, public employees, allegedly misusing their office by accepting gifts.

It was pointed out in case after case it has nothing to do with whether they even received the gift, or received an advantage. It has to do with whether or not they were attempting to, in any way, benefit. The same way under the Public Service Act, it has nothing to do with whether or not they received the contract, but whether or not they were attempting to receive a contract, in this case while being in a position of conflict of interest.

The key then is that they were employees at the time in which they sought the particular contract. Even if they had not received the contract, I submit to you there would have been,

under this interpretation--if you follow my interpretation, there would have been an impropriety in their even submitting the bid.

Mr. J. A. Taylor: I have already said that. I am not condoning the events or what transpired in any moral or ethical way. I have already said that. But what do you want to do? Whose hide do you want to nail to the wall? What are we going to accomplish at this particular point?

Mr. Philip: I am going to get to that later.

Mr. Chairman: Are you finished, Mr. Philip?

Mr. Philip: No. I was just about to get to what Mr. Taylor wanted.

I find it kind of interesting that on page 64 of the auditor's report, first of all, the Deputy Attorney General states that the employees were in a conflict of interest under the Public Service Act. The employees were told by Mr. Reilly to send a letter off saying they were in a conflict--

Mr. Reilly: Not by me, no.

Mr. Philip: Is that not what you said that they indicated--the employees?

Mr. Reilly: Oh, yes, but it was not my letter, sir.

Mr. Philip: No, but the employees indicated in a letter that they were in a conflict.

Mr. Reilly: Right. Not only that, but under the Public Service Act they are supposed to identify and disclose to the deputy minister that there was a conflict of interest, which they have done.

Mr. Philip: All right. Then, if we read page 64 of the auditor's report, he states that although the Deputy Attorney General had stated that the employees were in a conflict of interest within the meaning of section 33(1b), from the employees' perspective they had complied fully with section 33.

Maybe I can have some help from the auditor on this. How can they be writing a letter stating that they are in a conflict and at the same time how can we say then that from the employees' perspective they had complied with section 33, when we know that section 33(1b) clearly indicates that if you have an advantage derived from your employment as a public servant you are in violation of that section of the act?

Maybe the auditor would comment on that.

Mr. Scott: Mr. Chairman, in reply to Mr. Philip, I would draw his attention to page 65, item three, which reads as follows:

"Whenever a public servant considers that he could be in a position of conflict with the interests of the crown arising from

any of his outside activities, he shall disclose the situation to his deputy minister, agency head and/or minister, as the case may be, and shall abide by the advice given."

Mr. Philip: Then if I may on that, that is exactly what the employees did.

Interjection: Right.

Mr. Philip: They went to the deputy minister, but the deputy minister provided them with no advice. Under that section, which Mr. Scott has clearly read, section three, it says fairly clearly that they "shall abide by the advice given."

Here is an employee who thinks there is a problem and writes off to the deputy minister for advice. He knows that he must abide by the advice, but he does not get any advice and therefore he pursues it anyway.

Do you not see a certain conflict there with subsection 3 of the act on the part of the employee?

12 noon

Dr. Wilson: I have the letter here of January 26, as soon as they started, long before the tenders were awarded, they wrote the letter to the deputy minister as they were supposed to do.

I have the letter here. It was written to the deputy minister and to myself. At that time, it was not clear; I thought that the deputy minister should handle this and the deputy may have concluded that I should handle it. Because, as I say, the Ontario Science Centre appears in two places on the chart of organization of the Ontario government, and therefore it is a little hard to know exactly where responsibility lies.

I assumed that this being a more legal matter than a scientific matter, it was in the deputy's purview, and the act says to disclose the matter to the deputy minister; it also adds agency head or minister, as the case may be. He wrote to both of us, the same letter, and no action was taken.

Mr. Chairman: Did you reply to that letter, then?

Dr. Wilson: No, because I thought it was the deputy minister's job to do this, because we do not have complete control of our agency. The matters of administration are handled by the ministry.

Mr. Chairman: So in fact nobody replied.

Dr. Wilson: No; as far as I know, nobody replied.

Mr. Philip: I guess what I have a problem with--

Mr. Foulds: Would it not have been judicious at least to contact the deputy minister to see if he was going to reply, and

to at least suggest that one of you reply? Do you not think that it was your responsibility to say: "Look, I am the scientific person. Those are my responsibilities. Make sure that this happens"?

Mr. Reilly: Of course, the deputy minister is kept informed by his legal adviser, and the legal adviser was aware of everything.

Dr. Wilson: The legal adviser got a copy of the letter.

Interjections.

Mr. Philip: I just have a problem here.

Mrs. Scrivener: The question was raised on seeking legal advice. It is right there on page 64.

Mr. Chairman: We know that.

Dr. Wilson: The letter went to the legal adviser. B. Grant was the legal adviser at the time, and I would assume that it was his responsibility.

Mr. Philip: I guess where I have the problem in answering Mr. Taylor's question of where the blame lies is in this. Clearly, under the Public Service Act the employee has the responsibility of, first of all, seeking the advice of the deputy minister and abiding by that advice. He sought the advice, but he went ahead when he did not get the advice.

By the same token, the deputy minister has the responsibility, surely, on a matter as important as conflict of interest, to provide the advice that is sought by the particular employee. Therefore I am in a quandary to know who to kick the hardest: the deputy minister, who has not fulfilled what would seem to me to be an important obligation, particularly on a matter like this; or the employee and the Ontario Science Centre for not following up as to why the deputy minister did not come forward with the advice, and --

Mr. J. A. Taylor: You have already kicked both of them, Ed.

Mr. Philip: I think I have managed to kick both of them.

Mr. J. A. Taylor: You ought to be accused of brutality.

Interjections.

Mr. Chairman: Was the deputy minister Dr. Wright?

Dr. Wilson: It was Mr. R. D. Johnson. I think it was about the time they changed deputy ministers.

Interjection: They were in transit at the time.

Dr. Wilson: They were changing deputy ministers.

Mr. Chairman: They do that regularly.

Mr. Kolyn: Mr. Chairman, through you to Dr. Wilson. If this company happened to lose its tender in the future, would the two ex-employees be considered for rehiring by the centre?

Dr. Wilson: I told them that they would not be reconsidered, because there are no positions open. The editor's position has been filled and the other position has been filled by permanent civil servants, and there is no redress. They have taken a chance and if they fail to get this contract, they will have to find some other occupation.

Mr. Reilly: Mr. Chairman, it is a very strange thing. We got a letter on June 12 from Tory, Tory, Deslauriers and Binnington, lawyers, in which they indicated to us that if we did not award the contract, we might be sued. So we had about four different legal opinions. We did what we thought was the right thing to do in the best interests of the centre and the best interests of the government.

Mr. Kolyn: Dr. Wilson, I should just like to add a comment to this matter. It certainly seems to me that the science centre was taking the right approach by trying to get more scientific books through the centre, because that is where they should be distributed, I think--

Dr. Wilson: And it has made a lot more money too, which is the main--

Mr. Kolyn: --and it is just unfortunate that we have had this little bit of a squabble to blemish the name of the science centre.

Dr. Wilson: Right.

Mr. Chairman: I wonder if I could ask a couple of questions. How much did it cost the science centre to send these two gentlemen around to the seven cities in the United States?

Dr. Wilson: I do not know offhand, but we could easily find out. They would have submitted an account.

Mr. Chairman: Mr. Reilly, you seemed to be quite disturbed that the deputy minister did not reply to the letter. Is that fair to say?

Mr. Reilly: At that particular time, the trustees were not active on it. It did not come before the trustees until they submitted the tender for approval.

Mr. Chairman: I appreciate that, but your concern that the deputy minister did not reply to the two employees about the conflict--

Mr. Reilly: I was aware of this.

Mr. Chairman: You are still the politician.

Since I cannot put words in your mouth, let me ask you this question: I believe it was you; why did you not reply to the letter from Spectrum when he wrote complaining about the fact that he felt there was a conflict of interest.

Mr. Reilly: I do not know--he wrote to me?

Mr. Chairman: "On June 8, 1979, I wrote to the chairman, copy enclosed, to which I never did receive the courtesy of an answer."

Mr. Reilly: That is most unusual.

Mr. Chairman: The whole thing is most unusual.

Mr. Reilly: I don't ever recall not replying to any letter I received. It must be an oversight, Mr. Chairman.

Mr. Chairman: All right.

Could I go over the facts to make sure that we have them correctly? The two gentlemen in question approached the board, presumably, and said, "We would like to do a study--"

Mr. Reilly: They did not approach the board.

Mr. Chairman: Who did they approach? Dr. Wilson?

Dr. Wilson: They would have approached myself and the senior management committee. It states here that they approached us, but this time my memory is uncertain whether we told them to go or who exactly suggested it. They were certainly authorized to go and they were authorized me to go; it would not be the board's business. But exactly who initiated this, I am not sure.

We were concerned about how we would award this and to whom we would award it and we wanted to be sure it was a science shop, so it was very reasonable to send them.

Mr. Chairman: The auditor's comment suggests that the two employees approached you. They approached you, then for the funding of the science centre they went out and did a study which they duly reported to you, which then you presumably used as a basis for awarding the tender, the rules, conditions, et cetera.

They subsequently decided obviously that there was money to be made in this particular project. In their tender they say to you, "Science City Incorporated was formed at the beginning of 1979, specifically for the purpose of bidding on the science shop concession at the Ontario Science Centre," based, presumably, on the information they had received in their seven-city tour.

Subsequently the whole matter was looked at by the board. The board awarded the tender on, I believe, May 29. Other people who bid were informed on June 4 that Science City had been awarded

the tender. Then the two people resigned July 20 and the contract was signed on July 21.

If I were the gentleman in Spectrum or anywhere else, I would be concerned that these people had, certainly in the parlance of the stock market, inside information on which to base their tender. They were still employees when they submitted their tender; they were employees when they were awarded the tender or got it--perhaps not legally; the signing was not done until the day after they resigned.

In all this business--and I am sure Mr. Reilly would agree--we have to be like Caesar's wife. We have to not only be but appear to be clean, innocent and virginal in all of this--perhaps a word that I would not ordinarily attribute to Mr. Reilly.

Mr. Foulds: Virtuous.

Mr. Chairman: Virtuous perhaps, not virginal. Virtuous you are, Leonard, I am sure.

But the fact remains that there was legal advice. The director of legal services, Culture and Recreation, on June 1, 1979, wrote and told you it was a conflict of interest. You have already stated the employees knew themselves it was a conflict of interest and they were basing their tender on the information they had gathered at taxpayers' expense to make this.

There is no doubt in anybody's mind that there was a conflict of interest, including the letter from the minister himself, saying that there was a clear case of conflict of interest, and he is very upset and he is going to watch over this whole matter.

Is that a fair summation?

12:10 p.m.

Dr. Wilson: If I might, sir, there are one or two comments I would make. I do not think the report that they prepared after their trip really influenced the tender document. It was background information for us. I think if you compared their report and the tender document you would find that their report did not particularly-- Probably we are looking at it with hindsight, but we prepared, as it turned out, too general a document and we did not use the information in their report particularly to prepare their report.

Mr. Chairman: Would you go so far as to say they probably did not use that information either when they tendered? The fact is that they had information at their fingertips that they gathered on a seven-city tour, on which presumably they also looked at both the philosophy of a store in a science centre and at the profitability, or otherwise, of it. Having gathered that information, then at the beginning of January they form a company to take advantage of the information they got.

Mr. Reilly: It would have meant nothing if they had been a lower bidder. We accepted the highest bid.

Mr. Chairman: Leonard, surely, they probably could tell you pretty accurately what their profitability was going to be, based on the information they got.

Mr. Reilly: I do not think so.

Mr. Chairman: Why else would they do it? Why else would they get into the business in the first place? They saw, based on their information, that there was a buck to be made. Would you not agree with that?

Mr. Reilly: There is not a day in the year, I suppose, where some employees of government leave government and go into business for themselves, and I endorse it.

Mr. Foulds: But going into business directly related to the information they got as employees of the agency?

Dr. Wilson: I think you are suggesting that they had inside information. What they had was common knowledge which we lacked in the centre. We had never run a shop; we did not know how to run a shop.

I think if you look at those tender documents you will find that one of them refers to a comparison between the London Science Museum in England, the Chicago Science Museum and their shop, the shop in London and the shop in Boston. This is common information amongst people who run science shops. All they found out that involved us is how shops operate, and we wanted to know that. It is true they gained that while they were employees, but there is nothing unusual about it. It is something that other bidders already knew, as mentioned in the document.

Mr. Chairman: What is unusual, doctor, is the fact that they gathered this information while employees of the science centre, then turned around and made a proposal, while still employees.

Mr. Reilly: On the surface, I would share your opinion.

Mr. Chairman: It is not my opinion, it is the legal opinion and also the opinion of the minister, for whom we all have a great deal of admiration and respect for his judgement in these matters. Would you do this again in the same manner if it came up again?

Mr. Reilly: Of course not. No, we would not attempt it under the circumstances. As I say, as trustees, we sat down and examined the contracts. We had nothing to do with the working of sending out people and things of that nature. As trustees, we sat down and examined the bids and accepted the recommendation and agreed unanimously that this was the best contract for the science centre. That is all we did as trustees.

Mr. Chairman: Leonard, you have been an old horse too

long to know that there was not a problem when you did it. You know that.

Mr. Reilly: That there was not a problem?

Mr. Chairman: Yes.

Mr. Reilly: We had four different legal opinions, but as I said initially, to protect ourselves, we wanted to find out if there was a conflict of interest. Then the next step was that they said there was a conflict of interest and informed the deputy minister. We did everything under the Public Service Act that should be done.

Mr. Chairman: That is like saying, "I am going to rob the bank today and, since I have told you in advance, there is nothing wrong with my doing it."

Mr. Reilly: A very poor analogy.

Mr. Chairman: You knew it was a conflict of interest and the employees knew it was a conflict of interest. You said, since we made it public that there is a conflict of interest, then we all wash our hands of it.

Mr. Reilly: No, because we got a fourth letter, as I told you just a few minutes ago, saying that if the contract was not awarded under these circumstances perhaps the Ontario Science Centre would be vulnerable for a suit.

Mr. Chairman: One further question: Had these people not got the bid, would they still be employees? Had you told them that as soon as they submitted the tender, their jobs were therefore ended?

Dr. Wilson: I told them in January I was very surprised to hear they were resigning and if they resigned that would be it. Their jobs would be filled and they would not be able to come back again. I was quite definite about that.

Mr. Chairman: But they did not resign until after they had the tender, doctor. I know this is a speculative question, but had they not got the tender, is it your opinion that they would still be employees of the science centre?

Dr. Wilson: No, certainly not, because we went about filling the jobs right away. We had no intention of taking them back.

Mr. Chairman: When did they formally submit their resignations in writing?

Interjections.

Mr. Kolyn: On a point of order, Mr. Chairman: We have gone through this already.

Mr. Chairman: I have not heard--I would just like one

simple answer. When did they formally, in writing, submit their resignations?

Dr. Wilson: In July, July 20.

Mr. Chairman: Yes. So they already had the contract before that.

Dr. Wilson: Yes.

Mr. Chairman: Yes. Thank you. I am sorry, Mrs. Scrivener.

Mrs. Scrivener: All of this is a matter of record in the auditor's account. We have been backwards and forwards over it for such a long time now, to the point where you appear, I am sorry, Mr. Chairman, to be harrying the witnesses. This is not a seemly kind of conduct.

Mr. Reilly: Mr. Chairman, I enjoy being with you.

Mr. Philip: I have a supplementary to the chairman's questioning. You say, Mr. Reilly, that if you had an opportunity to live this over again you would not do it again, or words to that effect. What have you done to make the staff aware of the Public Service Act, section 33, since then? Can you tell us?

Mr. Reilly: I think so. What we have done here recently is we have drawn up, through the ministry, a proposal for quotations or for some kind of a tender. That has been now increased by maybe--I do not know offhand--six or eight pages of what is necessary. They have been added to it to try to avoid any possibility that people would not know exactly what they are tendering on and what the Science Centre wants in a tender form. That is really what we have done. We have improved the tender form.

Mr. Philip: What have you done in terms of professional development or information to the employees about section 33 of the Public Service Act?

Mr. Reilly: Dr. Wilson would have to answer whether the staff has been--

Dr. Wilson: The employees were quite aware of section 33(2) because they wrote to the deputy minister when the matter arose so they were aware of their need to do that.

Mr. Reilly: No. He was asking what has been done since that time, Dr. Wilson.

Mr. Philip: Since you do not want this to happen again--

Mr. Reilly: Right.

Mr. Philip: --and since you admit that it was obviously in error that it was done, what are you doing then in terms of section 33 of the Public Service Act with the present employees to ensure that we do not have a further reoccurrence and have to greet you under these conditions rather than at the fair breakfast

or some other more delightful occasion at another time?

Dr. Wilson: We have done two things. As Mr. Reilly said, we have prepared a long document on the subject of future tendering, which gives very much more detail how this should be done and, at the behest of the board, the tender is going to be called nine months in advance so that there will be plenty of time to consider all of these matters before--there will be no hurry about it and it will be done thoroughly.

The other thing is that we have prepared an extensive document, a whole book, which has been circulated to the staff--and we were discussing it only last Wednesday--outlining the effect of the public regulations, how to do it administratively, and adding to that a lot of details which apply particularly to the centre. We have a thick book adding details to how the centre should be administered, which supplements the regular instructions which we follow.

Mr. Philip: Is there in either of those documents that you are sending out to your employees and that you are discussing with your employees an explanation of the seriousness of the Public Service Act, section 33?

Dr. Wilson: I do not know whether it says that specifically, but I think everyone is aware of that.

Mr. Philip: You might consider doing something along that line. I would suggest that you consider doing that.

Mr. Reilly: I think it should be included.

Mr. Chairman: Anything further on this matter then? Thank you, gentlemen. It has been an interesting morning. It is nice to see you again.

Mr. Reilly: It is good to see you again too, Mr. Chairman.

Mr. Chairman: We are running a little late. Next on the agenda is Mr. Cunningham's motion re the Urban Transportation Development Corporation.

12:20 p.m.

Mr. Cunningham: Mr. Chairman, I will read the motion and then I would like to make some brief comments because I know the committee would like to deal with other matters.

Last week I put a motion to the committee. It appeared at that time that the government members did not have all their members here and Mr. Cousens asked, in view of the fact that it was a substantive motion, that we defer it to this week. In the spirit of generosity that guides my conduct here as a member I agreed to Mr. Cousens' request, because I appreciate that this committee is inherently nonpartisan and perhaps in that vein it may be the only committee of the Legislature that is nonpartisan.

Mrs. Scrivener: Is there any reason why this could not have been distributed with our agendas prior to the meeting? Because I read on the agenda that I received last night a reference to Mr. Cunningham's motion, but it was not contained in the parcel or in any of the other material I have received. Now we receive this just as we launch into a discussion and we have not had a chance to examine the wording.

Mr. Philip: We dealt with it last week.

Mr. Cunningham: In fact, I deferred--

Mrs. Scrivener: At the very end of the meeting last week, and that is why it was deferred.

Mr. Cunningham: If I could speak to that, Mr. Chairman, one of the reasons we had some difficulty last week was that a number of members of the government party decided that they wanted to leave before the committee was finished.

Mrs. Scrivener: Mr. Chairman, I would have expected that following his presentation last week and his deferral to this week this motion would have been distributed to us for consideration and study.

Mr. Chairman: With respect, Mrs. Scrivener, we discussed this on two other occasions. Mr. Cunningham suggested last week, because there was not a full quorum, that he would be bringing this to us. You do have it in writing now and we were given notice that this would be before us.

There is a point that I have asked that all resolutions be written and this one is and notice was given, so I would ask Mr. Cunningham to proceed.

Mr. Cunningham moves that pursuant to section 16 of the Audit Act, this committee direct the provincial auditor to perform a comprehensive audit on the Urban Transportation Development Corporation, including an inspection of the working papers of the UTDC auditors, and in particular to review the following issues:

(1) the adjustment, in June 1978, to the financing arrangements for the ICTS program and the "extraordinary adjustment" of \$22.4 million; (2) the development costs of the ICTS program; (3) the deferral of expenditures which was "not in accordance with generally accepted accounting principles;" (4) the deferral of revenue pending delivery of streetcars; (5) the claim by UTDC of \$6.5 million reimbursement by the Ministry of Transportation and Communications and any other similar claims; (6) the expenditure of \$71,000 for automobiles.

In addition, the comprehensive audit should include the following detailed information: (1) the specific salaries of the executive officers; (2) a detailed breakdown of the money spent on all bids by the UTDC and the travel costs and other expenses associated with their marketing program.

Mr. Cunningham: Mr. Chairman, the committee was provided

with some briefing materials several weeks ago pertaining to the operation of the UTDC and some questions and comments that would be salient or relevant to the auditor's initial investigation of the corporation. Most of these questions arise as a result of the auditor's initial review.

I think the members would be aware, of course, that this is a corporation that is owned by the Ontario government and therefore the taxpayers, hence the mandate of this committee to examine its operations.

In my comments last week I made reference to the fact that I had learned that Metro Canada, which is a subsidiary of the UTDC, in its Hamilton operation had in fact signed a three-year lease in Century 21, perhaps the most expensive office facilities in the city of Hamilton. They had signed a three-year lease, notwithstanding the fact that they were only to be there for a number of months to accommodate an initial study to see whether the city of Hamilton or the region would obtain a rapid transit program there. Notwithstanding that, I understand that they are now leaving and Metro Canada will then be picking up the balance, which would be two and a half years. At the outset I would argue that that is not good value for money that has been spent.

It is my understanding that the UTDC and senior executives of that corporation have been literally all over the world in an attempt to promote the product. I do not fault them for that, but the obvious lack of success that they have had after many of these ventures is indeed a concern and I would like to know the extent of public money that has gone to accommodate these trips--Portland, Los Angeles, Buffalo, Miami, Detroit--although a contract may be pending for Detroit. I read in the paper that they were going to Cairo, they have been to Caracas, we have signed an arrangement with Vancouver, Hamilton, back in the mid 1970s they were in Israel and as far away as Scarborough.

This corporation--it might interest members of the government party--is in direct competition with the private sector, specifically Hawker Siddeley and ML-Bombardier of Quebec. Its original mandate was never to include the manufacture of equipment and vehicles, yet now we understand that some millions of dollars will be committed to be spent at the Kingston test track to set up manufacturing facilities. In its original mandate it was intended to be a catalyst to assist the private sector in working together to make transit bids and now in fact is competing with the private sector on these bids.

I would contend that millions of dollars have been spent. Members might be aware of the question I raised in the Legislature on Tuesday pertaining to the TTC staff report, which indicates that the cost of the ICTS proposal from Union Station to the CNE in the course of eight months has gone up from \$90 million to \$170 million. That certainly is a concern to me and I would very much like to know why that has happened.

My views are that I think we are on the wrong track on this but my views may not be relevant.

Mr. Chairman: No pun intended--on the wrong track?

Mr. Cunningham: That is right. But I am concerned about the operation and that is why I have put this motion to the committee. I do not think it should be the subject of a great political harangue and it is one of the reasons why I would like to see someone with the nonpartisan feature of the auditor involved in a comprehensive analysis of just what this Ontario-owned corporation is all about.

This motion could have been passed last week as I think that opposition members had a majority at that time. I deferred this to this week where we obviously do not have such a majority. I did that in the spirit of nonpartisanship. I feel that this committee must be above those kinds of considerations and I hope that if the Conservative members here would respect that spirit the public might be the beneficiaries of the analysis provided by the auditor under section 16 of the act.

Mr. Cousens: Mr. Chairman, I appreciate receiving this motion now and also, in the spirit of the group of last week, the mover did defer to put it on this week. Had he not, there would have been other mechanisms to have a recorded vote and people could have come. Beyond that I think there is also the spirit of the committee is to do its job in the best interests of the whole province. We are not on fishing expeditions, nor are we out chasing for things that we can use for political gain, one side or the other.

I want to start with a question, if I may, of the auditor. Is the auditor in the process of completing any kind of audit on the UTDC for the most recent fiscal year? And would there be any kind of consideration of matters concerning the operation of the UTDC that, if they were outside of guidelines generally accepted by the government, it would be reported in his forthcoming report?

Mr. Scott: Mr. Chairman, if I may respond to that, we are not the auditor of the UTDC.

12:30 p.m.

Mr. Cousens: I know, but it is through your auspices that--

Mr. Scott: We do get the audited financial statements and the management letter forwarded direct to us by the auditors concerned. We have those statements and the management letter and they have been reviewed.

At this point, Mr. Chairman, I do not think I should be disclosing what is in my 1981 report. However, the 1981 report will be tabled, hopefully early in December.

Mr. Cousens: Thank you. I appreciate the auditor having the information and also the importance of putting the whole thing together so that it is a report that meets the standards of your past reports. I would, therefore, not support the motion on the floor, because I would like to wait and see what is in the report

that will be coming forth shortly. I would think that, Mr. Chairman, as a committee member if there is anything within that report that leads us to believe we should look at it further from what the auditors of the UTDC have to say, then I would support that be the first item on the agenda following receipt of the auditor's report, so that we would not delay any analysis of this.

In the meantime, I believe a lot of the concerns being raised by this motion have to do with the policy and running of the UTDC and are outside the general purview of where our committee really wants to go. But if, in fact, the auditor finds something, I am sure that many others would share my concern as would Mr. Cunningham. We would want to dig into it and delve in great detail.

Therefore, I will be voting against the motion as it is presented, but in the spirit of the motion, may I say and underline the fact that should the auditor's report bring up any of the concerns or give credence to what has been suggested here, then I would have to ask for a further evaluation.

On that line, I would say that the previous report we had on UTDC really did not give grounds for me to say that we needed to have this kind of comprehensive audit that is being suggested by the motion, so I will be voting against the motion.

Mr. Shymko: I also reiterate some of the points raised by Mr. Cousens. Unless I have not noted it, I believe the auditor's report for 1979-80 does not make any specific references to any problems with UTDC.

I believe the mandate of the provincial auditor is to look at the operations of every agency, board, commission and crown corporation. I am sure, should there be any problem as highlighted in this particular motion or any serious matters in the operation or administration of that particular corporation, we will see it in the 1981 report which will be tabled by the auditor.

To say that we will direct the auditor to make a comprehensive audit of one specific corporation, I think the auditor has the mandate to make an audit of every corporation, including this one. It is proper for us to wait to see if there are any concerns in his report and then to pursue it, rather than to jump the gun all of a sudden.

Mr. Cunningham: What if it is not in the report?

Mr. Shymko: How do you know that it is not?

Mr. Cunningham: All I am indicating to you is my concern.

Mr. Shymko: We all have concerns in the operation, but, basically, Mr. Chairman--

Mr. Cunningham: Your comments are the silliest comments I have heard from a member of this committee in a long time--at least an hour and a half.

Mr. Shymko: Mr. Chairman, I think it is much more important to proceed with some of the concerns that have been raised in the report of 1979-80, rather than to presuppose and conclude that there are some discrepancies or some serious problems in the UTDC.

Mr. Cunningham: Have you done your homework? Are not you concerned with the questions that have been raised?

Mr. Shymko: I am not asking you whether you have done your homework.

Mr. Cunningham: Well, I obviously have.

Mr. Peterson: I want to direct the Tory members' minds to the new Audit Act. It gives us far more wide-ranging powers than we have ever had before. We have the power to look into value for money, the expenditures of public moneys; we do not just have to function--and this committee over the past few years has functioned very well--not just reflecting on the auditor's report which operates ex post facto.

For example, one of the great frustrations of the discussion we had this morning is that transpired three years ago. Now we have an opportunity to make this committee relevant in contemporary terms and give direction to agencies or ministries that are experiencing contemporary problems.

As I said, one of my great frustrations with this committee is that we are always dealing with stuff that is three or four or five years old, and not relevant to the daily functioning.

We have functioned, by and large, on a nonpartisan basis. I can look at a number of things that happened over the last three or four years where, when we requested the auditor, almost in a congressional style-- This committee has functioned as a congressional-style committee, with the powers to look into various matters when a member feels some concern, and I would argue the point that there is a prima facie case, on the basis of the first report, that there is more to go into in this matter.

If we want to just gloss over problems, then we should probably just continue in the way we are, but if we want to function and be meaningful and look into the value-for-money aspect--this is not just a tickee-checkee function that we have any more; we are empowered to make judgements about the expenditures of public moneys--then this is an excellent area for us to delve into. There is no other committee that I am aware of that does the same kind of in-depth analysis from a value-for-money point of view and, as I said, I think there is a prima facie case here. I think there are a number of unanswered questions. It is going to require some expertise to go into. I think that if we want to make ourselves meaningful as a committee, this is an excellent area to pursue.

If we just want to be a rubber stamp for the government, to use the government majority on this committee to whitewash some of the things that have gone on before, then really that is very much

in your hands. But I just tell you that some of the government members that I have functioned with over the past four or five years have not taken that view of this committee, and have been serious and honest critics from a nonpartisan point of view of the expenditure of public funds, and that is why this committee has functioned extremely well.

I can tell you, when we had a majority--I am talking about the opposition--that was not abused. When the NDP and the Liberals could control this committee, we were not involved in a lot of witchhunts; we did not do a lot of silly things; we were very sensitive about the power we had; and I do not think there is anybody, casting back over the last three or four years, who said that this committee functioned irresponsibly or did not draw the public's attention to a number of important issues; and there was frequently, most often, a community of mind on a number of contentious issues.

I just leave that with you. You have the power to ram anything you want through this committee today. I would implore you to take a wider view of your responsibilities on this committee. It is the only committee of this Legislature that has these kinds of responsibilities, and I think you are taking the narrow view. If we ask the auditor to do this report, it may come up with nothing, but it may satisfy some of these questions. On the other hand, we may just decide, because of the literally tens and hundreds of millions of dollars involved here, that it needs our attention; and I think that you must have that kind of view of it.

Mr. Chairman: Gentlemen and lady, we are--

Mr. Cousens: Mr. Chairman, on a point of personal privilege, in fact what David is saying is that I have a narrow view, or by what I am saying I want the auditor to come through. I really do not see my own intentions as having a narrow view. I am interested in justice being done and that we know it is done, and that everything is done correctly within that area. That will happen, and in due course we shall know what is going on.

If you are referring to the kind of presentation I made as a narrow view, I think you have misunderstood where I am coming from.

Mr. Peterson: I just wanted to add a perspective to it.

Mr. Philip: One of the things that impressed me at, I guess, the first meeting of this committee, because I had not served on it before this year, was that we went around the table and got opinions from different people as to their concerns and I think there was empathy, certainly among the Liberals and New Democrats, about some of the things that Mr. Cousens was interested in, and he expressed some concerns about looking at the use of computers in government and so forth, at that meeting.

12:40 p.m.

One of the things that struck me in attending the

convention, the meeting with parliamentarians from across the country, was that in those provinces where the government has dominated the committee and where it has not operated in the sense of nonpartisanship, where the business was not set or initiated by members of all the parties, then the committee lost its usefulness and was seen to be simply another committee in which the government could cover up or avoid looking at issues.

Whether I was concerned about the issues that Mr. Cunningham raised or whether I was not concerned, I would like to defend his right to ask for this study to be done and for us to deal with it. It may well be that we will find there is nothing wrong. But I think it is important that just as I would support Mr. Cousens' motion on an examination of perhaps expenditure on computers or the best use of computers or the best use of our moneys in that area, whether I thought that it was important or not, I would, in turn, then support Mr. Cunningham on this occasion, as he has given us some reasons as to why this should be done, and convincing reasons. Therefore I support it.

Mr. Cunningham: The auditor has given us reasons.

Mr. Philip: Yes, the auditor has given us reasons.

Mr. Chairman: You have Mr. Cunningham's resolution before you. Those in favour will please say "aye." Those opposed will please say "nay."

Motion negatived.

Mr. Philip: I thought it was four to four, Mr. Chairman.

Mr. Chairman: It is four to five, or five to four, depending on your perspective.

Mr. Cunningham: This is a very bad precedent. If you are criticizing the committee, it should be nonpartisan.

Mr. Cousens: What are you, on a fishing trip?

Mr. Philip: Order, order, Mr. Chairman.

Interjections.

Mr. Chairman: Gentlemen. Mr. Philip has the floor.
Order.

Interjections.

Mr. Chairman: Mr. Cunningham and Mr. Cousens, please.
Mr. Philip, you have the floor.

Mr. Philip: I almost hesitate to bring this up after the last set of insults across the committee.

I was impressed by a number of things at the convention, in ways of improving, if you want, this committee. I am convinced that our system is one of the best we have. I am simply tabling

with the committee for consideration next week a series of proposals which I think will meet some of the concerns Mrs. Scrivener raised earlier and which I would hope would lead to a less partisan attitude by all three parties in this committee.

I hope that you all consider them and I hope if any of you have any questions or suggestions for improvement on these proposals that you will share them with me. They are not etched in stone. I am willing to be flexible and change them. But I think this committee should look at the way in which it is operating. We are one of the more effective committees in Canada and this is simply a way of making us even more effective.

Mr. Peterson: Will you give us copies of that, Ed?

Mr. Philip: Yes. They are all circulated. I am sorry if you did not get one.

Mr. Chairman: We will deal with this next week. Yes, Mr. Kolyn.

Mr. Kolyn: I would just like to make a comment. Mr. Cunningham referred to the fact that we were supposed to have had the vote last week. You ruled at the time that we present a motion one week and we vote on it the next week. While we are on this subject, I would like to know when we should break for lunch here, or how do we do it. I have a commitment in about 10 minutes.

Mr. Chairman: I had one 40 minutes ago. But the committee sits as long as it takes to do the business and if people want to discuss, shall I say charitably, points of procedure and motions and so on, then we are going to have to be here for the time it takes. We all tend to go on too long. Usually, we hope to adjourn shortly after 12.

Mrs. Scrivener: Mr. Chairman, have we now reached the point in our business where we could just have a motion for adjournment? Perhaps that would be a suitable thing.

Mr. Chairman: It is always in order.

Mrs. Scrivener: Motion for adjournment, please.

Mr. Philip: Would it be possible for the clerk to circulate these to the members who are absent with the notice that we will deal with it next Thursday?

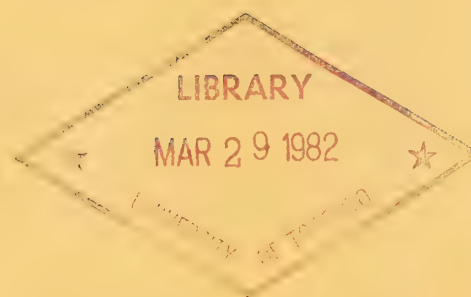
The committee adjourned at 12:45 p.m.

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Government
Publication

STANDING COMMITTEE ON PUBLIC ACCOUNTS
CIVIL SERVICE COMMISSION OF ONTARIO
THURSDAY, OCTOBER 29, 1981



STANDING COMMITTEE ON PUBLIC ACCOUNTS

CHAIRMAN: Reid, T. P. (Rainy River L-Lab.)
VICE-CHAIRMAN: Peterson, D. R. (London Centre L)
Cousens, D. (York Centre PC)
Cunningham, E. G. (Wentworth North L)
Foulds, J. F. (Port Arthur NDP)
Philip, E. T. (Etobicoke NDP)
Pollock, J. (Hastings-Peterborough PC)
Sargent, E. C. (Grey-Bruce L)
Scrivener, M. (St. David PC)
Taylor, J. A. (Prince Edward-Lennox PC)
Villeneuve, O. F. (Stormont, Dundas and Glengarry PC)
Yakabuski, P. J. (Renfrew South PC)

Also taking part:

Kolyn, A. (Lakeshore PC)

Clerk: White, G.

Researcher: Vokes, M.

From the Civil Service Commission of Ontario:

Jackson, J. A., Executive Director, Compensation Division
Scott, J. R., Executive Director, Staff Relations Division
Waldrum, G. H., Chairman

From the Office of the Provincial Auditor:

Scott, F. N., Provincial Auditor

LEGISLATURE OF ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday, October 29, 1981

The committee met at 10:06 a.m. in room No. 151.

CIVIL SERVICE COMMISSION OF ONTARIO

The Vice-Chairman: Ladies and gentlemen, I will call the meeting to order. We welcome back Mr. Waldrum. However, before I do that, let me apologize for the absence of the chairman, Patrick Reid. It was necessary for him to be in Rainy River at least once this year and this is his day to be there, so, as vice-chairman, I will fill in today.

I want to welcome back Mr. Waldrum. Mr. Waldrum has been here on more than one occasion before. As a matter of fact, as many of you who have been on this committee know, these have been issues that we have wrestled with on more than one occasion before this committee and were subjects of a large part of the report last time.

Of course, personnel management is a very major function of the government in terms of budgetary allocations and one that has concerned a number of members of this committee in a nonpartisan way over a number of years. We have been wrestling with it for some time. Mr. Waldrum is certainly familiar with the issues. May I invite you, sir, to introduce the gentlemen with you?

Mrs. Scrivener: Mr. Chairman, before we commence, may I raise a procedural point?

The Vice-Chairman: Absolutely.

Mrs. Scrivener: I notice that on our agenda we have only one item listed. Presumably this will occupy us this morning. I would think that it is also a subject which is fairly controllable in terms of the time frame.

I have observed that in this committee we seem to have a fairly relaxed approach to our scheduling and our agenda. I find that sometimes it is inconvenient. Therefore, I would like to suggest--in fact, I will recommend--that the committee set a time limit, a rising time, say, of 12 noon. If we decide that we want to go beyond 12 noon, we will then do it by agreement with the members of the committee.

Mr. Villeneuve: I would second that because I have the habit of being in my office between 12 and 12:30 and I receive a lot of calls from home at that particular period of the day. Being 300 miles away from my home, they are important to me. As you know, farmers come in to eat their noon meal and then they are out in the fields or some place else and they cannot be contacted even if I return the call.

But if there is anything unusual that needs an extension, I

have no objection. I am just speaking on behalf of myself, but I think if we could arrange that, it would be more satisfactory to me.

10:10 a.m.

The Vice-Chairman: Is there any more discussion on the point?

Mr. J. A. Taylor: I certainly do not think we should be unfair to farmers. In all seriousness, I think that it would be appropriate to set a cutoff time so that we can schedule our other appointments.

The Vice-Chairman: I am in the committee's hands. Historically, sometimes we have run over and sometimes we have run short. If each member could exercise some restraint with respect to the questioning, hopefully Mr. Waldrum will be able to discuss some of these questions. Then we could entertain a motion for adjournment at 12. We will keep that point under advisement.

Mrs. Scrivener: I would like to know that we would routinely rise at 12 unless we agree otherwise. If we have a very important piece of business, I do not think any of us want to put it aside just because of the clock. But I think that perhaps we can discipline ourselves to the point where we can conduct our business in that time frame.

The Vice-Chairman: I think your point is well taken. The chair will be most sensitive of the points you raise and we will try to honour that and we will leave ourselves in the committee's hands at 12, depending on what is developing at that point.

Are there any other procedural points before we start with Mr. Waldrum?

Mr. Waldrum, would you care to introduce the gentlemen with you? Perhaps you could start with a statement. You have a copy of the briefing notes.

Mr. Waldrum: Yes, I do.

The Vice-Chairman: The committee has copies of them. I assume the members have read them.

Perhaps Mr. Waldrum, in your statement, you could save some time; we won't have to ask you questions pertaining thereto.

Mr. Waldrum: Mr. Chairman, the gentlemen with me are Mr. Rollie Scott on my right. Rollie is the executive director of staff relations in the commission. On my far left is Mr. Jim Hansen, senior appointments and compensation; and Mr. John Jackson, executive director of compensation in the commission.

The Vice-Chairman: Mr. Gorchinsky is not with you then?

Mr. Waldrum: No. It was thought that Mr. Scott would be

elsewhere, but he changed his schedule so he could be here.

The Vice-Chairman: I know that no one likes to miss an appointment with the public accounts committee. I congratulate you on your judgement in choosing to be here, sir.

Mr. J. R. Scott: I would not be anywhere else.

Mr. Waldrum: Mr. Chairman, first of all, perhaps a couple of comments with respect to the briefing notes that have been prepared for you. The first thing I would like to say is that if I had been preparing the notes--and I was when I received these--I would have prepared a similar set of notes and I would have included the very items that have been included for you in terms of the pages out of the Manual of Administration, et cetera.

Where there is a difference of opinion or difference of expression, I believe that it will come out in the discussion we have, because these are the issues you are interested in. If there are any others that are left over after it is all over, I would like the opportunity to discuss it with staff and you would be made aware of that. In other words, it is not my intention to waste your time by going through the briefing notes that you already have in front of you.

The briefing notes also identify for you issues that you have been discussing in interviews with other officials over the past year; reflecting back to some of the discussion that went on with the committee and myself last year; also letters that came to the committee chairman following those discussions last year. I believe there are seven issues that have been identified: our performance appraisal policy and particularly the topic of documentation.

When I was here last year we were in the process of putting a policy into effect and had just carried it to the deputy minister's council. Since that time, we have put that policy into effect and have done a review of the policy as to the satisfactory or not-satisfactory nature of that policy. We also have done in a review in terms of position of the ministries with respect to how far they have gone in the implementation of their particular goals that were set out one year ago.

The substance of your concern, as identified in the notes, is is there an appraisal policy, is it in effect, and particularly some reference to the fact of whether it is documented in writing.

I would just initially say to you that the policy is there. It is included in the notes that you have. Our policy is a developmental policy. In other words, the goal of the policy is to improve on-the-job performance of the civil servants in Ontario, the setting of expectations with the employees themselves and also identifying the fact that a considerable training program has had to be undertaken before we really proceeded to have an effective policy in place. A considerable amount of training has gone on in the past year and we have been proceeding in accordance with the goals which were outlined by the ministries a year ago.

One of the specific concerns is are our performance appraisals always submitted in written form? The answer to that question is, no, they are not. And the concern of the lack of a written performance appraisal, when, in fact, disciplinary action is going to be a result of the appraisal itself. The best way to describe that is there is a shifting of gears, a loud, clashing shifting of gears, when an employee has been identified as an unsatisfactory employee, and that there is written documentation of that fact. Our policy though does recognize that not all employees are unsatisfactory and therefore the requirements with respect to written documentation are not stringent in terms of other employees.

In the case of promotion, as was raised in the notes, it is possible that employees would be disgruntled if, in fact, they felt that promotion was unjustified. There is another element of performance appraisal and that is in the area of assessment of the future possibilities in terms of the employee's eligibility for promotion. There is, again, in this case, a written or documented version of what the prospects of that particular employee are. The first element is, of course, on-the-job performance. The second one is how well is it believed that this employee could perform with additional responsibility.

The comments have come up in the notes, and also during our discussion last year, with respect to what have been unfortunately, in my opinion, termed merit increases in the bargaining unit. I would like to point out to you that there are really two forms of merit in terms of the employees of the government, and the division line is the division between bargaining and management.

The management is not a lock-step merit increase. It is one that is almost exactly the wording that you have in your notes, which is graduated in accordance with the merit of the individual. It can vary from zero to 10 per cent at any given time. It can be adjusted in terms of senior management only once a year, and as far as junior management is concerned, it could be given twice during the year.

With respect to the bargaining unit, the increases are almost always always lock-step increases and the terminology which you will find, if you examine the legislation, or the regulations, or the policies, the statement is "satisfactory performance." The maximum which a person could reach is the job rate. But in almost every instance, a person will start off in that particular job at the minimum of the job rate and proceed to the maximum.

Those increases can be deferred and have been deferred. They can be deferred initially for six months with the expectation that by deferral you are encouraging the employee to look at the job performance and improve it. They could be deferred again and if they are deferred again, what we are really talking about is an unsatisfactory employee and what we should be doing is documenting the reasons for that dissatisfaction and proceeding to dismissal.

10:20 a.m.

I might say to you that the reason the difference is there is exactly what I have just stated. There is a difference between the bargaining unit and the management employees. What has been implemented for the management employees is what you would indicate as being the desirable thing. What exists in the bargaining unit is what has been agreed to with the union.

I would have to say that I do not think our union would greet with great favour the idea that we would implement merit pay within the bargaining unit. Having said that, that does not mean we may not, at some stage of the game, proceed to do that, but it would have to be negotiated with the union as a part of the agreement. I do not want that to sound as though I am critical of our particular union because that would be exactly the position which would be taken in terms of other unions as well.

One element which comes up in the discussion is the matter of red-circling and that I would wish to qualify for you, and clarify hopefully. Red-circling is a technique of salary protection and it is used to protect the employee from whatever it is in the way of reorganization, reclassification of the job, change of the job, becoming surplus and being moved to another job. His salary is protected by red-circling, if that is the appropriate thing to do.

Red-circling is not a disciplinary measure and is not connected with discipline. Discipline is deferral of increases and dismissal. Red-circling is a protection for somebody who, through no fault of his own, finds himself in a different job which does not pay the same kind of salary as the previous job.

The protection is there for a period of time, usually allowing the person to proceed to a certain level but not to go beyond it. In effect, what happens is the economic increases usually catch up fairly rapidly, in this present day and age, to the salary that he is protected at. In other words, it is usually not protected for very long.

The Vice-Chairman: How long are they red-circled for?

Mr. Waldrum: They could be red-circled for six months or a year. But usually in one year the salary of the new category, through economic increases, catches up to what he was being paid in the other job, unless it is a very serious change of salary. Very few red circles would last for any more than 12 to 15 months. There are some, because they are very serious red-circling. In other words, a large amount of money might take longer for the salary to catch up through economic increases.

What I am saying is that in the present day and age, with the economic increases that are granted on a regular basis, it does not usually take long for the person's actual salary to catch up to the red circle.

The Vice-Chairman: How many red-circle employees would you have at the present time? How big a phenomenon is it?

Mr. Waldrum: Red circles--283. They vary from ministry to ministry.

By the way, Mr. Chairman, could I just comment that at any time where you wish to have anything submitted to you in writing, we would be most pleased to, if we felt you had sufficient amount of information in writing, we would be glad to offer these things in writing as well.

There are 56 people red-circled in the management categories and there are a total of 227 red-circled in the bargaining unit categories, for a total of 283 at the present time.

Mr. J. A. Taylor: Are those dated? In other words, I wanted to know what the time frame was in the turnover. You mentioned 12 to 15 months as probably the maximum period for any one person. Have you any indication there of the numbers that are in any of those periods, say, if you want to divide it up into three-month periods or whatever?

Mr. Waldrum: I do not think we have that, sir, but it would depend on whether you were granting, say, 11 per cent, eight per cent, or two per cent. If you were granting two per cent increases, the red-circling might last for a considerable length of time. But at the rate of granting economic increases in the bargaining process over the past few years, we have been running at a rate that red circles would not last as long as what they might.

Mr. J. A. Taylor: Would red circles indicate that particular person is being paid an excess of what he normally would if he was taken on fresh to fill the position that he is fulfilling?

Mr. Waldrum: That is absolutely correct, sir.

Mr. J. A. Taylor: Really there is a cost factor here that--

Mr. Waldrum: Yes. There is.

Mr. J. A. Taylor: --is penalizing--I should not say punishing, but certainly it penalizes management, I suppose.

Mr. Waldrum: Oh, yes.

Mr. J. A. Taylor: That was thrust of my question as to whether or not you date them so that you know just how many have been in that position, that is red-circled, for more than three months, six months, 12 months, 15 months, 18 months, or what have you. But you do not have that kind of information.

Mr. Waldrum: No. We do not.

Mr. J. A. Taylor: You just have total numbers.

Mr. Waldrum: You make a good point, Mr. Taylor, in terms of your reference to management and red-circling. I would want to

point out to you--it is not in the notes and I certainly did not think about it until you raised the question--in effect what has been done in terms of red-circling is we put in a type of fund. This is particularly with respect to those people who have become surplus because of the job disappearing.

If they are employed by another ministry, in effect what management is doing when they employ that individual is pay him more for the job than what would be required by the salary rate. We put in there the possibility that they can come to management board at the conclusion of the year and request the difference in salary, if there is a need to do so. In other words, it is not given to them unless there is a need to do so. They may also petition management board for retraining sums in connection with the retraining of those employees.

Mr. J. A. Taylor: I am going to ask you whether you also have numbers in terms of, say, a five-year time frame. Are the total number that are red-circled on the increase? Are they on the decrease? Are they fairly stable? What is happening?

Mr. Waldrum: When I arrived at the commission, I believe there were 2,100 red circles and the figure which I have just been given is 283. I remember the 2,100 very distinctly.

Mr. J. A. Taylor: How long ago was that?

Mr. Waldrum: That is two and a half years ago, sir. Almost immediately we were into the changes with respect to the management group, in terms of the economic increase. I believe that well over three quarters of those red circles, those 2,100 red circles, disappeared in the next economic increase.

Mr. Sargent: What is your answer to Jimmy's question on the time frame?

Mr. Waldrum: Once again, sir, the time frame would depend on what kind of economic increases were being granted. Let us say a person was red-circled for \$2,000 and the salary was, say, \$22,000. If it is a 10 per cent difference and there was a 10 per cent increase given the next year, that red-circling would last for only one year, at a maximum.

The Vice-Chairman: What is the annual cost of that red-circling? In other words, you are overpaying for jobs performed. What is it costing the taxpayer a year?

Mr. Waldrum: I could not tell you that, sir, but Mr. Jackson advises me that we could get it.

The Vice-Chairman: Is it roughly a 10 per cent factor? Is \$2,000 a year an average?

Mr. Jackson: It would be hard to estimate because some of these red circles are for very small amounts and others might be for reasonably large amounts.

Mr. J. A. Taylor: Would the dramatic decline in the numbers of red circles indicate a dramatic increase in the wage scales?

Mr. Waldrum: In the one instance, I think it was about a six per cent--if you took it across the board, it was a bout a six per cent or a five per cent increase that was given to management at that time. It had the effect of wiping out a large number.

The significant statistic would be that there are 227 of the bargaining unit right now and there are 52,000 employees. That does not tell you what the dollar cost is, but it gives you an idea that this is not any longer a very big item in terms of the operations of the government. At one time it was much--

The Vice-Chairman: I wonder if we could just go back--have you finished your statement, Mr. Waldrum, because our list is developing? Mr. Cunningham is next and I am just wondering if you have anything else, and then we will go back to the list, because Mr. Cunningham is on the list ahead. Is there anything else you wanted to say?

Mr. Waldrum: No, sir. I would be pleased to proceed with questions at any time.

The Vice-Chairman: All right. With your permission, I will go to Mr. Cunningham.

Mr. Cunningham: Of these people who have gone from your list of 2,100 when you first came here two and a half years ago to what you have now--and I commend you for the decrease--would some of those people have gone to work on a contract basis for the Ontario government?

10:30 a.m.

Mr. Waldrum: No, the change that took place was in fact the change in the salary of the management group and that change was sufficient to make up the difference that existed between the red circle and the actual job rate. I have to tell you that that was rather unusual circumstances. We had just moved to a management compensation plan, a new one, and therefore job rates were quite different from the actual salaries being paid.

Mr. Cunningham: So to help my understanding of this, those people may not have left the employ of the Ontario government by any means?

Mr. Waldrum: I would suggest probably you might be talking five people out of that group who actually left the government employment. Their salaries simply caught up to the red-circled amount.

Mr. Cunningham: What is the longest period of time that an individual might be--let us take in the management group--on the red-circle basis?

Mr. Waldrum: I guess the significant thing again is it

would depend, if we were having two per cent increases in the economic increases to the bargaining unit or to the management group, you could have a red circle that would last for five years if it were a 10 per cent red circle. But if you had a 10 per cent circle and you had a 10 per cent increase to the bargaining unit or to the management group, they would disappear in one year.

I cannot tell you exactly how long those red circles have lasted, but I would suggest to you that during the period of high inflation the red circles do not last very long, they catch up. It may be that there is a very large one, but still 10 per cent increase in salary covers quite a good size of a red circle in one year.

It is off the top of my head, admittedly, but I would have to tell you that I do not believe too many red circles would last for more than two years or more than two salary increases at the present time.

Mrs. Scrivener: My question was just one of clarification. As I understand it, the red-circle technique is just simply a device to protect an employee's position and his salary. In other words, when government is trying to reorganize or condense or review or make a ministry more efficient and perhaps phases out a branch or whatever, with the consolidation process you cannot necessarily place an employee in a position of equivalent responsibility and salary.

What I want to know is when you are talking in terms of his salary level in the new job eventually catching up with the salary level in his old job, you are not referring to the normal cost of living increase, you are talking about the remission in salary levels as they come down are negotiated--

Mr. Waldrum: That is right, that is what I am talking about, the increase that might be effective, say, April 1, 1982, may wipe out some of those 283 red circles. That is exactly what happens.

Mrs. Scrivener: You did not really say what the time frame is on your existing list of 200. Would those have been on the list for one year, two years, three years? Would those be mainly a year?

Mr. Waldrum: Yes, I would say that in the main a year or less. Let us say if they were circled in August, the red circling would disappear if it was less than eight or 10 per cent; it would disappear in the next economic revision.

Mr. Philip: In the red-circling process, what percentage would be--I realize you will not have actual figures--red-circled because of defects, if you want, or problems in their personality or character as opposed to defects in or lacking in skills?

Mr. Waldrum: I think the key expression is the fact that we do not use red circles for demotions. Red circles are when the duties of the positions are changed or when the class of the

position is changed and the result is that the actual pay that should be paid is less than what the person is at that time receiving and the position is re-evaluated.

The Vice-Chairman: What is the difference between that and a demotion?

Mr. Waldrum: If a person was demoted to a lower category because of her lack of performance on the job, or inability to perform the tasks of the job, the salary range is adjusted at that time, immediately.

Mr. Philip: I recognize that, but what I am saying is that you have a person in a position and that person, for whatever reason, is not performing at a level that that job is paying at. I am asking, can you give us any indication whether, in a majority of these cases, that lack of performance at that level is related to a skill problem or other problems in most cases?

Maybe if I go on to my supplementary question you will understand where I am coming from. What kind of assistance in terms of upgrading and counselling would you give to assist the person who is red-circled so that he can either end up in another job, or maintain his level of financial reward in the civil service?

Mr. Waldrum: Red-circling, as I indicated, is kind of a temporary thing to protect the person's salary for a fairly short period of time. A lot of people who are red-circled in one job apply for another job and they might even end up with a higher salary. If they turn out to be qualified and energetic, et cetera, in the new position, they work their way out of that circle.

As I indicated, in some cases there is a training problem. In other words, the person has to receive some additional training in order to function properly in the other job. If that is the case, rather than punish the manager, they have the right to appeal to management board for a sum of money in connection with that retraining. I have to tell you that in my recollection, there have been very few appeals to management board on that count because in most cases it is absorbed into a fairly large unit.

But let us say someone was considering hiring a red-circled employee and it made 10 per cent difference in salary and it is a small organization. What I am saying is they could appeal for that money and could receive it from management board at the conclusion of the year. So that the manager, by taking appropriate action with respect to a red-circled, or surplus, employee, is not in any way punished.

You would understand, I am sure, that there are various misgivings that somebody might have about a red-circled, or surplus, employee. In most cases they are unfounded, but they exist none the less. What we are trying to do is to make sure that managers do not feel they are being punished for making a sensible, reasonable management type of decision.

Interjection.

Mr. Waldrum: Mrs. Scrivener, if he turned out to be going over budget--that is what I mean--he could then appeal to management board and he would be granted a sum of money to cover it.

Mr. Philip: In a good many cases then, the people who would be red-circled would be people who would have skills that would exceed their job. Is that correct?

Mr. Waldrum: That is possible. Let me put it this way. I think that red-circling quite often is a technique to protect a group of people where the former job has gone out of style, to use my own expression for it. Sometimes it has not only gone out of style in the government, it has gone out of style everywhere. Therefore the person is protected while adjusting to a new job.

Mr. Philip: Let me give you a specific case that I am aware of from my days in Ottawa. We had a very skilled person there who had three or four languages, excellent shorthand and some management skills. That person was judged as being paid at a level that was too high for someone working for the person who was immediately over her. Now, that is one kind of red-circling. The other kind, I gather, is when you find that the person is underskilled, and is temporarily frozen.

10:40 a.m.

One of the things that struck me was that when the federal government went through a long rampage of this at one point, the real loss to the taxpayers was the demoralization of certain employees by having been red-circled and the decrease in their productivity. My question to you is, what kind of actions do you have in place to deal with that morale problem that results? In the case of this one woman, she just ended up going back to Germany. There were other factors involved in that, but we lost to the public service in Ottawa a tremendously skilled person.

What counselling and training procedures do you have that will stop the loss of that kind of talent, be it undertalent or overtalent, so that you get lower productivity, or worse still, they leave the public employ and go to work elsewhere where they can get the kind of bucks and their skills are recognized?

Mr. Waldrum: I guess the first thing I would say is that my greatest concern about red-circling is the one which you have just identified; there is a kind of a stigma attached to red-circling, a feeling that one is in some way inadequate. But as I indicated to you, red-circling cannot be used if it is a case of a person who cannot do the job and has to be demoted. He immediately moves to the new salary range.

Mr. Philip: You are telling him his job is not as important as he thought it was, which is as demoralizing, almost, as telling him that he is unskilled.

Mr. Waldrum: It is very demoralizing when the job has in fact disappeared. What has to be done, really, is to make sure that the policies of the government are such that they are, and

are seen to be, protected, because it is a no-fault situation in terms of the individuals. We do in fact have policies which give preference to these individuals when they are applying for other jobs.

My personal experience with people who have been declared surplus, or red-circled, is that quite often they are excellent employees and soon find their way in the other area. Occasionally there is a big problem when, I say, the job and the skills possessed by the person have gone out of style.

The area of printing, for instance, has undergone great changes. We have had instances where groups of people were declared surplus. Most of those people found their way into another area and have been successful. But it is a tremendous adjustment to move from a job that no longer exists into some other job, and have to find your way in a totally different environment.

Mr. Philip: Do you have any research that you might have done to tell us whether there is a greater turnover of employees who are red-circled compared to the others?

Mr. Waldrum: We have not undergone any major changes in terms of the classification system. When there is a major change in the classification system there are more possibilities for red-circling. Nor have we undergone large changes in terms of areas that have gone out of style.

I have mentioned the printing area which, about a year or two ago, underwent such dramatic changes that there were drastic changes in the skills of the people that were employed there. Most of them found their way into other jobs. I believe there were only about three at the end of the notice period that had not found their way into another job.

Mr. Philip: Within the public service?

Mr. Waldrum: That is right. We are very successful, even to the point of occasionally being complimented by the union, in our efforts to place people. They do not like the idea that jobs can be declared redundant and they would wish us to put more protection into our policies, et cetera, but they do not deny that we do a good job of finding those people employment in the government.

Mr. Philip: Do you often find that it is the manager--not the person that is red-circled himself, but his immediate supervisor--that is most upset by it, because it is seen as a downgrading of his position?

Mr. Waldrum: In some cases it is the disappearance of the management position. Yes, that has quite an affect on anybody, I would imagine.

Mr. Philip: The opposite of red-circling, I guess, would be the person that is employed at a position much higher than what he is being paid for. I get stories told to me about temporary

employees who claim that they are performing fairly high-level duties but being paid low-level salaries in temporary positions. Does that happen?

Mr. Waldrum: It should not happen. The temporary employee is supposed to be employed at the minimum of the negotiated rate for that job, or the minimum of the job in the management compensation plan, and progresses, if satisfactory performance is there, to the maximum rate. There should not be a situation where an employee, temporary or otherwise, is employed in a job where he is underpaid in the sense that his salary does not match the level of that job. We would be in serious trouble, I think, Mr. Scott, if we did that.

Mr. Philip: I had a chap who came to me a while back and gave me a story, which I refer to you. He had been a temporary employee for four or five years. In a number of instances of temporary positions, he was fulfilling management-type positions. Would there be a large number of temporary public employees who would actually be temporary for as long as four or five years? What would be the cause of that?

Mr. Waldrum: There are a large number of temporary employees in the government. It varies tremendously during the year, with the largest number of the summertime, and a good percentage of those are students. There are people employed in park operations, forestry operations, et cetera. It may be that a person would be employed in that particular function for a number of years, perhaps six months out of the year, perhaps even more than that, but on a temporary basis.

Mr. Philip: Can you bring to us any figures? We could probably do it through this committee or through estimates, but could you bring us figures of the number of people and the differing lengths of time that they have been on temporary? Do you have any breakdown?

Mr. Waldrum: I could give you a breakdown of the type of employee and the numbers at various times of the year. It is reported annually in the annual report of the commission.

Mr. Philip: That really does not tell me much. What I would like to know is how many people would be temporary for three years, and how many people would have been on your list as temporary for four or five years. Then I will be able to ask you questions as to why you would have somebody--

It seems to me that if this is a practice that is going on, while I am concerned about having people underutilized and overpaid, I am also concerned about people being exploited. The government should be the exemplar in terms of management relations.

If you could bring us that information, I would be interested, because I think there is a real loss there. If you have people whom you are exploiting, you demoralize them and their productivity is reduced. I do not know how you measure that, but I

am sure it is a financial loss even though it may not be measurable.

Mr. Waldrum: At the present time, and for some period of time, we have been holding discussions with the union with respect to two categories, the unclassified staff and what has for various reasons been referred to as permanent part time. If I am not mistaken, there are something like 9,000 people who work for the Ontario government, at various periods of time, for less than 24 hours a week. Some of them have done and are doing that on a continuing basis.

For instance, there are people who work in the courts, perhaps the person in an institution who is responsible for breakfast and who is not working a full day every day, but comes to work every day and is expected to be at work. In other words, there is a continuing employee-employer relationship.

At the present time, we are examining with the union the definition of the various categories, such as seasonal and continuing part-time, and trying to define those things. I am quite sure--Mr. Scott will correct me if I am wrong--that we have in front of us now the proposals of the union with respect to benefits and working conditions. I would be very surprised to read that and not see in their expression of their demands in the negotiations for this year some of the terms that you and I have used this morning.

In addition to that, we have been conducting discussions with the union with respect to that group of people. In the union's point of view, I believe it would be best expressed--and I do not try to express their opinions all the time, but I think they would express it as, every employee is an employee of the government for all purposes. In other words, all benefits, all rights, et cetera, beginning with the first hour.

10:50 a.m.

Our position at this time is that the government has to have the right to employ truly casual employees who, in fact, are not full-time employees, but our position is that we would like to be able to come to a better arrangement with respect to what is known as permanent part-time, somebody who really works for the government on a continuing basis, is expected to be at work at a certain time on a regular basis, but really does not work full-time; and there are a large number of those people, sir.

Mr. Philip: I hope that you appreciate when I tell you that I have not approached it from the union's point of view. I have not met with the union, and I do not know what they are asking at the moment. Even though I happen to be NDP, I have approached it from a management point of view because that is my background, and I am concerned about it from a management point of view, not simply reflecting the opinions of the union. I am glad that the union is negotiating that, but I think that it is from a management point of view that it is in your interests to decrease this kind of thing.

Mr. Waldrum: Absolutely. I might say that, while they raised it with us, we also raised it with them, and our differences are on points of degree as opposed to the sensibility of taking such steps as are being advocated.

Mr. Philip: Thank you, Mr. Chairman.

Mr. Sargent: I guess I am talking to a man who employs 52,000 people out there. I could tell you that I have been in politics for almost 20 years around Queen's Park here.

Interjection: Longer than that, Eddie.

Mr. Sargent: I have never yet been able to get anybody a job with the province, in any part of it. Do you have any hiring policies that would bar a person in the opposition getting a person a job?

Mr. Waldrum: No, sir.

Mr. Sargent: It is strange I could not get a person a job in 20 years, not even in the liquor store.

Mr. Yakabuski: You have got them all filled up there.

Mr. Sargent: Paul, just pipe down for a second; I am talking facts.

Mr. Yakabuski: (Inaudible) liquor store is everything.

Mr. Sargent: That is the type of nonsense I am getting.

Interjections.

Mr. Sargent: If you cannot talk sense to me, Paul, do not talk at all. I want a simple answer. Have you been told--

Mr. Yakabuski: If you cannot ask reasonable questions, do not ask them.

Mr. Sargent: Have you been told that if a member of the opposition phoned, it would hurt a person getting a job?

Mr. Waldrum: No, sir, I have not.

Mr. Sargent: I have been told that, if a person goes into Douglas Point with my recommendation, it goes in the wastepaper basket. There must be some reason, and friends of mine in our party tell me the same thing. Word comes down, if you are a good Liberal you are out, you do not get a job. Where does that come from?

Mr. Waldrum: I do not know, but it does not come to me, or from me.

Mr. Sargent: You have never had a member of the opposition approach you to get a job for anybody?

Mr. Waldrum: I believe that I have had, on numerous occasions, many members from both sides of the House, point out that they felt that a particular applicant for a job was a prospectively good employee; and that would be accepted, sir, in the light of a recommendation from someone with respect to an individual, and there would be no differentiation between one recommendation--perhaps I could say that there would not be any differentiation between you or another member of the Legislature and someone else, who in fact was a good reference point in terms of that new employee.

I can assure you, I have never received such direction and I certainly have never given such direction.

Mr. Sargent: We do not want any special favours, but we just think that if a member of the opposition would try to get a person a job, he would not have the same clout, and with all respect to those guys, but if Ossie Villeneuve phoned up, I think he would get some direct attention. I am not saying he would do that, but I know that it comes to that.

Mr. Villeneuve: Any time I sign a letter, it is the kiss of death. I found that out.

Mr. Sargent: I would not believe that.

Interjections.

Mr. Chairman: Any more questions, Mr. Sargent?

Mr. Sargent: You were talking about placing people. You have occasion to upgrade people and place them. You have the power to give people jobs. Is that right?

Mr. Waldrum: Actually, I think I would want to modify somewhat the statement on the briefing paper, because the employment of an individual, other than someone who is employed in the commission itself, is a responsibility of the ministry itself. We have delegated almost every authority we, as a commission, have to the ministry. Really what we do is monitor and try to keep the policies up-to-date. But I could tell you that the staff in the commission is roughly 190. That is not enough to staff the government.

We have a Go-Temporary operation, sir, in the commission which employs a lot of people who fill jobs for, say, three months, two weeks, or whatever within the government, and we have an employment office where they will come in and be referred to different ministries, depending on their skills and abilities. But we do not employ anyone, other than in a temporary position or in the commission itself.

Mr. Sargent: So if a person was after one of the responsible jobs, you would have a file on that person, would you?

Mr. Waldrum: Not likely.

Mr. Sargent: You would not have their background at all?

Mr. Waldrum: I am sure a file would be created on a person if that person were an applicant for a particular position. But the position would likely be advertised in our Topical or Job Mart. There is a good possibility it would be advertised in the newspaper if it was an open competition, and it may be advertised in Windsor, in London or in Ottawa if the job is in that particular area. But the commission itself would not be involved in the documentation of the selection board or the review of the person's qualifications.

Mr. Sargent: Would the party bagman have access to reviewing those applications?

Mr. Waldrum: No, sir. I do not believe he would.

Mr. Sargent: There would be no background of political affiliation?

Mr. Waldrum: There is a feeling that is being expressed, and I have heard it from both sides of this particular room today, that maybe, when someone attempts to use that kind of influence, there is a negative reaction to it. While I do not necessarily think that should be so, I am not foolish enough to believe that it is not so.

Mr. Sargent: If the minister sends down a directive to get this person a job, they get a job.

Mr. Waldrum: The ministers have power with respect to the unclassified staff, sir, in terms of hiring unclassified staff. In terms of the civil service staff, I have to tell you that I do not believe that type of thing goes on. Where it did, there would probably be--

Mr. Sargent: You are not a very practical politician if you believe that.

Mr. Waldrum: I am not what, sir?

Mr. Sargent: If Jim Taylor or a minister sends down a directive to give a person a job, they damned well get that job regardless of the commission, or some heads are going to roll in your place.

Mr. Waldrum: I do not believe that to be true, sir.

Mr. Sargent: Okay.

Mr. Yakabuski: I just have a couple of questions, Mr. Chairman. One was, regardless of what the feelings may be, they vary from member to member, from party to party, I have to say from my experience that the Ontario civil service is probably one of the best run of any civil service anywhere in this country, and probably in the world.

Mr. Sargent: Get the violins out here.

Mr. Yakabuski: On the things that some of the members

talked about, their minds are racing back some 30 years, almost racing back to the Hepburn days. But that is not so any more. They disappeared maybe with the advent of Leslie Frost, or began to disappear then, having progressed to the point where they have almost entirely disappeared.

As far as getting people jobs is concerned, the only complaint we have--we know things are being treated in a most fair fashion. The complaint we have is sometimes about department heads. You have a competition and a department head wants a certain person. He or she has a favourite. There may be people participating in that competition who are better qualified--have more qualifications and better qualifications--than the person whom the department head has his eye on, or, for some reason, to whom he is beholden.

11 a.m.

That is the kind of complaint we have had from people who participate in those competitions. They feel that they have not had a fair hearing, that the matter has been cut and dried, it is just a formality, that the department head wants so-and-so and they get so-and-so. But as far as the other complaints are concerned, I know from personal experience, from experience of the other members, that sort of thing does not go on. But the kind of thing I mention is quite often brought to our attention by people who participate in these competitions.

I do not say that every case has a lot of merit because anybody who participates in a competition feels that he is the best qualified and is, naturally, disappointed that if he does not win the competition. But there are cases where this thing happens and it is the old cliché or whatever of, "It is not how well you qualify but who you know," and in some cases with department heads it is that.

Mr. Waldrum: We try to keep it to a minimum. We sure try. I have to tell you that the whole sense of having a selection board is an attempt to minimize that type of thing; in other words, if a person is selected by a board as opposed to an individual. But certainly that kind of feeling exists here. It would be unreasonable to expect that it would not exist when five or six people apply for a job and one got it and the others did not, especially if they all worked in the same branch.

I can assure you we do our very best to keep that sort of thing to an absolute minimum. In fact the competition rules are such that we hope they prevent it. But I understand the feeling.

Mr. Yakabuski: We, as government members, accept that, because we think it is fair. We accept the system as it operates today. We do think it is quite fair.

Sure, we would feel much better if we were able to operate--if we tore a page out of the book in Ottawa. I do not know how your counterpart in Ottawa operates, because he is getting directives by the hour as to whom he is to hire and whom he is not to hire. I do not know how they can operate at all. It

has to be a shattered system with that kind of interference. But you are not getting that here.

Mr. Waldrum: No, sir.

Mr. Philip: I remember a few years ago, Mr. Chairman, Bert Lawrence telling me that they had raised the qualifications for employees in the liquor stores and that the last vestiges of patronage were now lost to him as a Conservative member. Maybe it is not as corrupt as some people think.

The Vice-Chairman: Certainly, it is a myth around in the community that has not been eradicated.

Mr. Cousens: Mr. Chairman, I have a few remarks I would like to make and the first one is to Margaret Vokes. I would like to just compliment her on her research paper. Last week you had a tough time. I would not begin to give you a tough time. It was on time and ahead of time, and very well documented. So, I say thank you.

Mr. Philip: (Inaudible) as well, did you not?

Mr. Cousens: I did to have a chance to comment, but I went through this one with a fine-tooth comb.

Mr. Philip: But you are a fair person and you will agree that last week's paper was a good one.

Mr. Cousens: You heard me just now. I have commented on this, and that is what is important, is the present and the future.

Mr. Philip: I understand your position.

Mr. Chairman: The important point is week by week she is getting better too.

Mr. Cousens: That is right. It is nice when that happens. We do not have merit pay for this kind of thing. We can just give a compliment.

The Vice-Chairman: Hansard, duly note the compliment, please.

Mr. Philip: (Inaudible) the work they do in the library.

Mr. Cousens: I do not want to get into that either.

If I could make a few comments, Mr. Chairman, with regard to the presentation this morning and to the auditor's report, the first point is more of a comment. Merit pay, when you call merit pay something other than I appreciate it to be, is really a fixed-step increase and, as I understand a merit pay and you would too, sir, from your background and education when they have talked about it, it is quite different from the kind of way in which you are talking about it here.

I disagree with the term merit pay as it is being defined as

a misnomer in this whole commission. I think it should be changed. Then they start working for merit and for value of services performed rather than just say, "My merit pay." I would like to see that ended. But that is just a preference from where I sit.

The next point is on--and this is really a very general thing. When you are talking about the efficiency of the commission, the efficiency of the organization, the efficiency of people, measured in the federal scene, it is estimated to be in the range of 60 per cent.

I am not as experienced as my honourable colleague in front of me, Paul Yakabuski, who says that you are one of the best. I am a bit more suspicious and say, what is your range of efficiency? How is it measured? What do outside consultants have to say about it, and where does it really sit? Because there is absenteeism and there are problems, and I do not see it as being as clean and good a house as maybe some would like.

Mr. Waldrum: Well, sir, the first thing I would say is, I read the remarks of the auditor general when they were made in Ottawa, and we certainly took a good look at that particular paper; and we took a look at the situation surrounding it.

I have to say that I would not agree with the auditor general in Ottawa, that they are operating at 60 per cent efficiency. I do not believe that it is possible to measure--on such a small group of people, who were looked at in that particular operation--any sound judgement as to the efficiency of an organization.

Mr. Cousens: What is ours though?

Mr. Waldrum: I do not know how I would determine it, regardless of--as I say, the measures which were used on that particular study I would just have to say I do not think I would agree on any determination, because I do not think the thing was sound enough to really determine the efficiency of an organization the size of the federal government, on the basis of the sampling which was done.

Mr. Cousens: I would rather ask a question than have a comment on that, then. If you cannot tell me what the efficiency is, or if there is any rating, or has there been any study on it, I personally have some concerns.

Is it operating to a high level? I can at least deal with my questions. I would rather drop that one on the basis of what you are saying, if I may, to some specifics.

On performance appraisals: They are not always written. Why not?

Mr. Waldrum: As I indicated in the opening remarks, it is our belief that if you are entering into a situation where you are talking about an unsatisfactory employee, you should shift gears from the general mode of operation--which says we are trying to improve any employee's performance on the job--into one where

you are saying to the employee, that his performance is unsatisfactory.

At that stage of the game, there should be a distinct change of approach and one that is readily recognized by the employee, and the shift to a written performance appraisal is absolutely necessary, in the sense of documentation.

Having said that, I do not think it is necessary to document the kind of thing that you, sir, said to this lady here who prepared an excellent briefing paper. That is probably more important for me to say to the people who work directly than anything else I could do, whether that be said when I walk in the door in the morning and remember what was done for me the night before, or meet somebody in the hall and say, "That was an excellent paper you prepared for me so that I could go to public accounts," or whatever. That is far more important.

I believe that the overemphasis on a piece of paper is something which will lead us away from trying to do a job which will help the employee improve on the job; and there is a little too much emphasis on having a date and a set of initials at the bottom of a piece of paper.

I believe that is absolutely necessary if you are proceeding to the point where an unsatisfactory employee is going to be released. It is absolutely essential. But I do not think it is necessary to treat all employees in exactly the same fashion, because of that.

Mr. Cousens: I am not in a position to argue the point. I raised it; I flag it. It is something that does concern me. Within the educational system, from which I have had some experience as a trustee for 10 years.

I know that there is a written appraisal form, when it is a true appraisal and there is some value in having that on the files. It does build. It is of value. Then you are also able to track it with the change of management, change of principal, head, or whatever. So, to me, you have a point of view, I respect it, but I also suggest to you there is also another point of view that could be different.

Mr. Waldrum: I recognize that, sir, and I would point out to you that, also in terms of a person's prospects, the promotion, future, and needs in terms of training--that sort of thing is documented and we have an excellent system for turning up that type of comment.

All we are saying is that it is not required that every performance review be documented in every case. It would be as natural as the day is long, to do that in terms of an unsatisfactory employee.

It would probably be very appropriate to put it in writing in terms of a commendation. I have a few of those around my file that I probably prize more than any other possession. I would agree with you entirely. All I am saying, is that I believe an

emphasis on a form or on a piece of paper is not necessarily conducive to good performance appraisal. Lots of people use them, I do not deny that at all.

11:10 a.m.

Mr. Cousens: May I ask one more? I do not want to consume too much time, but on the whole business of absenteeism, what types of disciplinary action do you have for absenteeism?

I guess there are a number of aspects to it. We were talking about the counselling services that are provided--if it is alcoholism or some other serious problem of a personal nature.

I would be concerned that we are doing everything we can to help employees who need that kind of help and, if we are, by whom is that service being run? Is it something that has a judgement attached to it, or is it something that has a certain compassion so that we can help that employee, that civil servant, achieve his best results with the kind of objectivity that is not going to pass a heavy judgement on him?

I am concerned about the disciplinary action, because there are some areas where there is absenteeism and some where there is more absenteeism than others. Some of it has not got the kind of discipline to it where it should be of a harsher nature when it is an ongoing thing. There are some cases where you should have a heart and there are some other cases where the heart is kind of worn out and you have got to go to some more rigid form.

For instance, in the Health ministry there have been a number of problems and they have been highlighted in the media. This whole business, I think, is of a very important nature, especially with the high cost associated with it.

Mr. Waldrum: The first thing I would like to point out, especially in the area of attendance improvement and absenteeism, is that probably the reason we get more attention than anybody else is that we have given more attention to it and we probably know more about our absenteeism than the average company might know in the private sector. I would point out our research over the last year, particularly; we went to 98 different companies and 17 per cent of them had a method of keeping track of absenteeism--not acting on it, but just keeping track.

So every once in a while you will see an article in the paper that will refer to our absenteeism and generally we are referred to because we are a very big employer and, secondly, we are referred to because we know what the absenteeism is.

If it is not against the rules, we might leave with you some articles in the paper that do not get the same kind of notice as the one that talked about the millions of dollars of waste in terms of Ontario. It is an extremely expensive proposition. I do not deny that the information in the newspaper was correct in terms of dollar figures and percentages. We do keep track of it. We have an attendance improvement program.

Well, once again I would not try to be definitive in the information I give you at this time, because I do not think we have been working at it long enough, to feel that we have everything taped down and that we can make pretty broad statements. But in the 12 months ending September 30, 1979, our percentage of potential working days lost in a 12-month period was 5.01 per cent; and in the 12 months ending March 31, 1980, 4.8 per cent; for 12 months ending March 31, 1981, it was 4.5 per cent. That is only a difference of 0.06 per cent over that period of time; but that is the only period of time that we have measured.

I would say it is an improvement and we are working at it. I believe drawing attention to the problem is probably as important as the steps you might take--just the fact that you know you have the attendance problem and that supervisors are talking to employees about those problems.

The Vice-Chairman: Did you include members of Parliament in those figures?

Mr. Waldrum: No, I did not.

Mr. Cousens: The federal members.

Mr. Waldrum: What I am talking about there is the 52,000. Starting about three years ago we formed a new reporting system in terms of reporting attendance and since that time we have been keeping track of it. But I would point out that the difficulty of making comparisons with the private sector is that there are very few who even keep track of it. Certain companies, I think, have made statements, particularly the production type companies, that they actually employ 10 per cent more people than they require to run the shop, because 10 per cent is eaten up with absenteeism. It is a very large figure in any company.

We are doing our best to keep that under control and we hope that we will be seeing some improvement as time goes on.

Mr. Cousens: I asked a question about counselling services for those with problems. What are you doing there?

Mr. Waldrum: The Ministry of Government Services is actually the provider of the service. I guess we are the provider of the policies. There is a counselling service with respect to drug and alcohol addiction and other types of problems, personal problems, et cetera. The fact is, I guess, the attendance improvement program is recognizing that perhaps one of the reasons for poor attendance is in fact found in the makeup of the individual himself or herself, and that corrective steps could be taken in order that a person would be at work more regularly.

There is also a sick leave plan, as you would understand, one that was put into effect without difficulty in this government. I would compliment those people who were responsible for it. It was long before I arrived at the commission. It was put into effect without labour disorder and strike.

I see some people out there moving in the same direction as

this government moved in about three years ago and they are having quite a problem with it--the buildup of sick leave credits, et cetera.

There is a sick leave plan starting at six days. There are six days sick leave provided. Beyond that at six months it is 75 per cent of your salary; beyond six months it is 66 per cent of your salary. In connection with anyone who is on that, they are in fact looked at very quickly with respect to counselling, because it is our belief that after a person has been away for some considerable period of time there might be a reluctance to reappear at work and there is counselling that goes on in connecton with that.

Mr. Philip: With Mr. Cousens' permission, may I ask a supplementary on that? The system of sick leave that you have just outlined, I think I understand it but you may have to run it by me again. Would you give us a comparison to the system that you used to have? When did the change take place?

Mr. Waldrum: I am sure that this can be documented for you. The change took place, in terms of the bargaining unit, I believe two or three years ago or two or three negotiations ago. It was put into effect for management in 1976 and in the bargaining unit in 1978. The basic difference is the accumulation side of it.

Mr. Philip: They can no longer accumulate in the same way, is that correct?

Mr. Waldrum: The accumulation is not in the same way. The amount of sick leave used to be 20 days cumulative, I believe at 50 per cent.

Mr. Jackson: Any unused would be paid for at 50 per cent.

Mr. Waldrum: When they left the government. It is now cumulative at 100 per cent, paid for when you left the government.

Mr. Philip: I guess from a straight management point of view, and I have had this expressed to me by someone who is very close to me who is in management in the community colleges. Her position is that the people who are irresponsible are being rewarded now. That is that she does not doubt that some people are in fact sick and therefore deserve sick leave, but the poor guy then who comes in half dead because he knows there is a job to be done loses any kind of advantage, whereas the one who has a sniffle and says, "If I do not use up my sick leave, I am going to lose it anyway," is rewarded.

Did I understand you correctly to say that there is a decrease in absenteeism at the present time? Do you have any comparison of one system with the other, because I would predict that, at least at certain levels and certain types of positions that may not be terribly self-fulfilling or may be monotonous, that there would be a disincentive under your new system, an incentive, if you want, to simply eat up whatever sick leave you

have got, because you are not going to get it anyway, further down the line.

11:20 a.m.

Mr. Waldrum: I think, although we have only been looking at the actual statistics for about three years, the general impression is that the old system, which is cumulative in terms of 20 days per year, if unused, really did not have the effect everyone thought it should and would. I believe that a person who is absent without good cause was probably absent then and is absent now and we should be doing whatever we can to correct that through counselling et cetera. It did not apparently have the effect that one thought it would.

By comparison I have to tell you that the system that we have is not as generous in terms of the accumulation side of it as what is still in existence elsewhere. But I have to tell you that I believe steps are being taken elsewhere to try and change that factor.

When I worked for a school board, I can remember saying to the school board: "You are behaving as though nobody is ever going to retire. You are building up an accumulation of benefits that, when people begin to retire"--at that time there was only one person in that city that I knew of that was a retired schoolteacher, there are certainly many of them now, and the accumulated benefits were quite extensive in terms of the buildup of, what would you call it? Mr. Scott could correct me--

Mr. Philip: But you can work that out actuarially and project it, and your real cost is the number of days of absence, be they at the end of the period, namely 15, 20 or 30 years from now, or during the period. I would find it interesting if you would tell us two things: One, can you provide, not just the impression, but a statistical analysis, statistical comparison; and, two, can you give us any research that has been done that would indicate that your new system that motivated you, if you like, to move towards your new system--because I think that, from a common sense point of view, it does not make sense. But I am open to the fact that, if you can show us some research, be it here or in the United States, that will document that, then I am willing to at least be open to accepting that.

Mr. Waldrum: I wish I could.

Mr. Philip: The other question, though, that I have on that is quite different, and I do not think that you will be able to answer it. That is it seems to me blatantly unfair that people that have worked under one system, one set of assumptions, that feel that they are building up an accumulation of sick leave, that perhaps have been overly conscientious, are in fact penalized by your changing the rules. Their accumulated sick leave has been lost, has it not?

Mr. Waldrum: No, it is still there. The change from one system to the other--I guess the expression which is usually used is "grandfathering" or "grandmothering"--basically what it says is

the conditions that prevailed up to here and the benefits that accrued up to here in fact stay. In fact, if you were on sick leave at 66 per cent, you could be using your former sick leave to make up the difference in your salary and the amount paid on sick leave. But whatever accumulation there was has been honoured and has been recorded and in fact will be paid out on the same terms as prior to that for anyone that was employed at that time.

The new system came into effect from that day forward in terms of how things accumulated, how things were paid, but those that were on the other system in fact carried forward into the new system whatever benefits they had accrued.

Mr. Philip: You made the argument--and I can see your point, because other people--

The Vice-Chairman: You are on a supplementary, and I just want to be fair to Mr. Cousens--

Mr. Philip: You are perfectly right. I am sorry, Mr. Cousens.

The Vice-Chairman: If he is happy with this line, I am happy in the chair, but I want to be fair to Mr. Cousens, who did have the floor.

Interjections.

The Vice-Chairman: You are on the list after Mr. Yakabuski, Mr. Philip.

Mr. Philip: I apologize. You are right.

Mr. Cousens: Good questions. Also I would love to go longer, because it is such an important area of the government and I am in the process of getting some good answers, and yet I should like them a little more in detail, so that is part of my problem. I should like to dig a little bit more and say, okay, if you have a disciplinary action for continuing absenteeism, what are some of the forms of discipline that you take?

On the other hand, I want to look at both sides of that coin, because if you have got people that are going for counselling services, for marriage problems, alcohol, drugs, or whatever, how effective are they right now?

I am not getting the answers, Mr. Waldrum, that leave me satisfied in either direction.

Mr. Waldrum: You will have trouble getting that kind of answer because in fact of what I think you implied in the early part of your question, that these kinds of services are in fact provided in a pretty confidential manner, and in order to keep track of something, you have got to know exactly what is going on and who is going where. I do not know that. If I did, I think I might be accused of taking actions that were inappropriate.

So keeping track and tracking that type of problem is in

fact very difficult to do, as to how successful you are, or how well you succeed in what you are trying to do.

In terms of discipline, on the attendance improvement thing--we have, by the way, a paper, Mr. Chairman, that we would be pleased to distribute that is now in the hands of all managers in the government. Our suggestion is that, in fact, the immediate supervisor is the key person in terms of attendance, and while some people do not like the idea that someone would comment on the fact that they were away and wonder why, I have to tell you that I think that is a natural reaction and if I were sick I hope somebody would ask me how I was the next day. I think a supervisor has to do that.

I cannot tell you how successful we have been in terms of what we have done, because we only have three years of tracking. We just started it three years ago.

Going back to Mr. Philip's concern in terms of the old system and the news system, we did not start to track until we had the new system almost in place. We did not know what the situation was three or more years ago. So some of the specific answers I am sure that you would like to have are also the specific answers I should like to have. The only thing we know is that we are gradually improving, in terms of attendance.

I cannot compare it with the private sector because only 17 per cent of those we have researched actually keep track of attendance. The one that told us that they in fact allow 10 per cent really does not have a good method of keeping track of what it is. They simply allow 10 per cent in terms of their production area for absenteeism. They employ that many more people than they need.

I would say, however, that we have one of the best in terms of getting off the ground and keeping track of attendance and starting into the counselling and training of supervisors with respect to attendance. As I said, I think it is the immediate supervisor that is the key person in that operation, and I believe that any immediate supervisor should show an interest in why Joe was away yesterday when he comes in today or tomorrow.

Mr. Yakabuski: Mr. Chairman, firstly I wanted to make a correction. Mr. Cousens, I think, was labouring under the impression that I had given the Pope's blessing to the entire civil service operation, and that is not quite correct. I was commending the civil service especially on the selection system and selection process, which I think is an excellent one and compared with systems in any other jurisdiction, it would probably measure up very well or perhaps surpass. That, however, does not mean to say that I am happy with all things that I see going on in the civil service.

Firstly, I think the civil service of Ontario, of Canada, and we are speaking of Ontario today, should be setting the example for the private sector out there. In years gone by, I think this was not the case; they were not setting a good example. Consequently, what has happened in the private sector in recent

years is it has become a bit like the civil service was five or 10 years ago--loose, inefficient in many areas, and I think many examples have been given in recent days, with plant closings, with operations going under. I think there are many examples in the United States where companies were taken over by foreign concerns, such as the Japanese.

11:30 a.m.

They skimmed right off the top 300 from the management section of that company and turned the thing right around, and they turned a tidy profit in the course of a year. I am only using that example to explain what has crept into the private sector. I think that disease actually rubbed off from the old civil service. In recent years the civil service has, to speak bluntly, pulled up its socks, and I think is running a much much more efficient operation.

But I think there are some areas where there is still a lot of concern. I am sure they must be of concern to the average citizen, because they are of great concern to a member who is trying to get answers, who is trying to do research on constituency problems; and when he calls at 11:25, he finds that the party has gone to lunch. He assumes that if he went to lunch at 11:25, if he calls at 1:05 he is going to get him or her. But most times if he calls at 1:05, he does not get them. They are not back from lunch yet.

Many of these are called working lunches. I do not know how many of the civil service have these working lunches. But I am going to tell you, it is pretty frustrating from a member's standpoint because he or she cannot get anyone before nine o'clock in the morning. They can very seldom get anyone after 11:30, and you are lucky to get someone by two. And by that time you are back in the House, so most of your day is gone. If you sneak out of the House to go back to your office and try to do something at four o'clock, then you are running into the other end. They are tearing off home all ready.

I think the key lies in the supervisory staff. The supervisors of each branch, branch heads, supervisors, these are the people who can make it work, and I do not think they are always making it work. For while in some instances there is great efficiency, in others there is not.

I know many civil servants who go far beyond the call of duty, who work very hard, who take work home with them at night, et cetera. Then there are the others, and I am talking about the others. I think it lies at the door of the supervisory staff that this is allowed to happen. Because it is very frustrating when you cannot get anyone between 11:30 and two o'clock. And after 4:15, forget about it again. Your day is almost lost.

I think you are improving, and improving greatly. But I am very concerned that the disease that was prevalent in the civil service five and 10 years ago has now crept into the private sector. I am concerned about eradicating it there, too.

The Vice-Chairman: Mr. Philip, I think you are next on the list.

Mr. Philip: I am at the point now where I am really not sure what it is that you are going to supply to us. Are you saying that you cannot supply an actual meaningful comparison between the new system and the old system because your recordkeeping under the old system was not such that a meaningful comparison can be made? Is that what you were telling us?

Mr. Waldrum: Yes.

Mr. Philip: I am wondering, Mr. Chairman, as a new member of the committee, whether it would be possible to get a meaningful comparison in some other jurisdiction. I understand that the community colleges have recently put in a new system of dealing with absenteeism. Their figures might be meaningful to us. I wonder how, procedurally, we could go about getting that kind of comparison, because if we can get a comparison in another sector, then it might give us some indication of what is the variable.

They have implemented some new measures which would automatically, I would think, improve or decrease absenteeism, but at the same time, the way of handling accumulation of sick leave, I suggest to you, would probably work in the opposite. Therefore what we need is a purer form of comparison to find out what variable is operative, since their figures on the old system of absenteeism would not be meaningful. Maybe there are some suggestions about how we can resolve this problem and come up with some meaningful comparisons.

The Vice-Chairman: Mr. Waldrum may or may not be able to lay his hands on that comparative information.

Mr. Philip: He just said that he could not.

The Vice-Chairman: If there is no way you can research it, you certainly could put a motion to this committee that we suggest the auditor look at it, and we can have a discussion of whether that is a worthwhile use of his time.

Interjection.

The Vice-Chairman: There is not a motion on the floor on this. I am just suggesting the options to Mr. Philip. If he wants to put it to the committee for discussion, we can all speak on it.

Mr. Philip: I have asked you people to at least bring forward to us any rationale that you had for changing the system, and since you must have surveyed the literature, you might be able to put together some of the literature that suggested why you would change it in the direction that you did. Once we survey that literature, then we may decide that we either accept your conclusions, or that it is nonconclusive, at which point, then, maybe the auditor and myself--

The Vice-Chairman: Or the legislative researcher could possibly look at it. But let us see what they can provide first.

Then, if you are still dissatisfied, we can decide on our next course of action.

Mr. Waldrum: Just on a matter of clarification: What you are referring to, Mr. Philip, is the change in the system as opposed to keeping track of the tenants.

Mr. Philip: Yes, what I am interested in is why you moved toward eliminating the accumulation of sick leave. What research, management experiences or literature did you base that on; and even if you do not have that, surely, from the point of view of management, you must have an accumulation of literature.

Rather than have our research people put that in, since you probably have it already, supply it to us. If we do not think that it is conclusive enough, then we can ask our library research staff to put together some other literature on that topic. Then we can decide if we should, perhaps, look at more recent changes in community colleges, for example, and find out whether there are any meaningful comparisons there. I think it is an important issue.

The Vice-Chairman: Mr. Philip, are you finished?

Mr. Philip: Yes.

Mr. Yakabuski: Were these changes in the community college system fairly recent?

Mr. Philip: That is what I understand. I may be wrong on that but I understand it was fairly recent.

Mr. Yakabuski: It is my understanding that many of the community colleges had an honour system and the absenteeism was absolutely atrocious because these people did not have to report to anyone. Some of the community college feedback I was getting was absolutely scandalous. If they have implemented another system more recently, well and good. It is about time.

Mr. Philip: I do not think you judge performance in a setting where you are dealing with professionals by the number of hours that they are physically in the plant, any more than I can judge the quality of a physician or a chiropractor by the amount of time that he is in his office. It may well be that I would rather have the chiropractor or the doctor spend a little bit of time in a library once in a while, rather than be in his office.

What I am saying is that there have been changes in terms of sick leave; and I think that sick leave in a community college setting would exist where there had to be a replacement to teach a class or a replacement for a lab that was scheduled. I do not think it is at all professional to keep track of the number of hours that they are physically in a building. I think that that is childish. You are not running a chicken-plucking factory; you are running a professional institution. Nor would I want to keep track of the hours that a doctor, who is paid a salary, is necessarily in his office. I would like to see him out there doing something meaningful.

The Vice-Chairman: I think they have developed a strategy to solve this problem.

Mr. Philip: I think we have a strategy now. I am hoping that we can pull them through on it.

11:40 a.m.

I have one last question. You seem to indicate that one of the things that would be very costly because of the change of age of the population, et cetera, would be the accumulation, at the end, of the sick leave. I wonder if you have explored, and if you have discussed with the union, the possibility that instead of sick days being accumulated to be taken at the end of a career, they be used for professional development. That would be a positive way of improving the skills of the public employee while giving him some freedom in deciding which kind of professional development he would want to use those days for.

Mr. Waldrum: One of the problems with sick leave plans anywhere is that sick leave is for sickness. I personally would not advocate that we go to the union and suggest that sick leave be used for anything else but sickness. This particular policy had to be negotiated with the union in 1978. This is strictly personal and once again it is off the top of my head. I do not believe that sick leave should be construed in any way, shape or form for any purpose other than sickness.

Mr. Philip: But you and I live in the real world and know that there are varying degrees of sickness. I come in here with laryngitis sometimes but still force my voice in the House because I am motivated to do so, much to the chagrin of certain members in the House.

Mr. Waldrum: Probably the most important factor is motivation in terms of work. All I am saying is that I think it would be an error to use sick leave, so constituted, for any other purpose.

Mr. Philip: But motivation--and I talk again from a professional point of view--is easier at certain levels than at others. Ideally, a person who is in a management position, or a fairly high position or a professional position, if you put the right circumstances around him, should be motivated. But, as Walter Reuther once said: "There are some stinking jobs and, no matter what you do, you are not going to motivate anybody with all of the self-actualization and all other kinds of benefits. All you can do is give him the kind of motivation that he will get out of there as soon as he can and give him as many bucks so that when he does get out of there at 4:30 or five o'clock, he has enough money to at least make his leisure life a little more pleasant than his working life." Unfortunately that is true.

You cannot simply say that sick leave is sick leave. Some people are motivated to be sick because their jobs are blatantly uninteresting and there is very little that management or anybody else can do to make a dull stupid job into anything more than a dull stupid job. That is where I say you have a different problem

of absenteeism, in terms of management approaching, it than in certain other types.

Mr. Waldrum: I guess the way I would express my own feelings is that I do not think using sick leave for another purpose would change that motivational factor. I believe--and I am not sure if it was Walter Reuther who said it or somebody else--"The big problem with this job is that I leave my brains at home when I come in. The second problem is that you pay me enough money that I keep coming." I do not know who said that, but I think that it is a matter of on the job satisfaction. As you point out, certain jobs are much more satisfying than others.

When we get to the point where we can differentiate between occupations and professions, I think we will see that coming out in our statistics. Then we will have to talk about motivation of those other jobs, maybe job enrichment and quality of working life. We can attack the problem from another direction. It is simply a difference of opinion between you and me about using sick leave to change the motivational factors.

I believe sickness can be an indication of poor working conditions and poor job satisfaction; I agree with you wholeheartedly. But I do not think changing sick leaves to another type of thing would change that motivation.

Mr. Philip: I am not sure that it is a difference. All I want is the proof of that one variable You are saying it does not have an effect; I am saying I simply want the proof that it does not have an effect.

The Vice-Chairman: I have two or three questions if no one else is on the list. Number one: You had 283 red-circled people. How many demotions did you have last year?

Mr. Waldrum: Demotions?

The Vice-Chairman: You say the red-circle procedure is not used to demote.

Mr. Waldrum: No, it is not.

The Vice-Chairman: How many did you have?

Mr. Waldrum: I could not tell you how many demotions we had last year. I do not know whether there is any way we could find out.

The Vice-Chairman: If you can find out how many red circles, surely--

Mr. Waldrum: We would have about 15,000 changes last year.

The Vice-Chairman: Demotions. I mean people who went from a job to less salary in a different job.

Mr. Waldrum: We will see what we can track, but I certainly do not have that here today.

The Vice-Chairman: Would you find that out, please, because it seems to me that is quite relevant? There is a suspicion abound that you do not demote, because you are afraid of the grievance procedure and you red-circle instead.

The other thing I would like from you is a price on what that red-circling is costing. I want to know the difference between what you are paying for the job and what you would pay for the job if there was no red-circling. That is a net loss to the taxpayer.

I wanted to ask you about your grievance procedure. What is your percentage on that? Who wins? How many grievances were there last year on job reclassification?

Mr. Waldrum: There are several different types of grievances, as you recognize.

The Vice-Chairman: I understand that. It is job reclassification I am talking about.

Mr. Waldrum: Job reclassification. Here I had the other kind.

Interjection.

Mr. Waldrum: What Mr. Peterson, I think, is asking is what was our success rate at grievance, in terms of whether our classification was upheld or not, and I thought you had asked about dismissals.

The Vice-Chairman: Give us the number and then work out the other ones. How many dismissals were there last year?

Mr. Waldrum: Dismissals that went to the grievance board--

The Vice-Chairman: How many dismissals, first? How many dismissals were there last year?

Mr. Waldrum: It will be in the annual report, we can dig it out for you. They average about 100 a year.

The Vice-Chairman: You will let us know. How many went to grievance?

Mr. Waldrum: They do not all go to grievance.

The Vice-Chairman: I know. That was the second question. How many were grieved?

Mr. Waldrum: In looking at a fairly lengthy period of time, grievances allowed in full, we had nine. We are talking about dismissal grievances.

The Vice-Chairman: Nine were grieved?

Mr. Waldrum: Nine that were grieved and succeeded; 67 were grieved.

The Vice-Chairman: Sixty-seven out of approximately 100 who were dismissed were grieved.

Mr. Waldrum: In terms of being dismissed, the word "resignation" is probably more common than "dismissed" in this service as in others.

The Vice-Chairman: Presumably people do not grieve their own resignations.

Mr. Waldrum: That is correct.

The Vice-Chairman: Do you know what I am after? Have I made myself sufficiently clear about the information I want?

Mr. Waldrum: I believe so.

The Vice-Chairman: I want to know how many people were dismissed, not voluntarily resigned. I want to know what percentage of those were grieved and I want to know who won those grievances.

Mr. Waldrum: I can give you a statistic. Out of a total of 67, nine grievances--I would say the expression is--were won by the individual grieving; 39 were allowed in part and suspension was substituted; and that suspension varied from days, to a full year's suspension without pay; and 19 grievances were in fact dismissed, signifying that in fact the employer's point of view was held forth at the grievance. That is the one I thought I would be asked.

The Vice-Chairman: You are going to get us the figures I have asked you for--you are going to give us the number of cases of demotion where a person actually went from one job to a job with a lesser salary. There are just two other questions.

Mr. Cousens: May I ask a supplementary on that, please? The number of people under contract, would you have that kind of statistic?

Mr. Waldrum: Yes, and it would vary a great deal from one point in the year to another.

Mr. Cousens: Maybe you could give us the points.

Mrs. Scrivener: Could you also give us in terms of the dismissals which you are going to get for Mr. Peterson, the numbers of dismissals which were based on improper behaviour?

11:50 a.m.

Mr. Waldrum: For cause.

Mrs. Scrivener: Not performance, but improper behaviour, personal behaviour. I know we have had instances of people who have committed theft against (inaudible).

Mr. Waldrum: Oh yes. That certainly is dismissal for cause, and that is one of the reasons.

Interjections.

Mr. Cousens: Just to follow on the number of resignations. You have got dismissals. Do you have any breakdown of resignations, so there are ones that are by mutual consent, and then resignations that have come from--again, I go back to something you would know well; the school boards, where we were able to force a few resignations when we did not have the option to dismiss?

Mr. Waldrum: I believe, sir, that your attitude at that time would have been that this is a mutual agreement, that two people or two organizations, or an organization and a person, part company without ill will, and in fact I do not believe the reasons were ever stated in the agreements.

Mr. Cousens: Is that not handy?

Mr. Waldrum: In fact, I think there would be a very strong attempt, on the part of the school board or anyone else that had engaged in that activity with an individual, to in fact respect the reasons for the resignation.

Mr. Cousens: What I am saying is that there were resignations that took place by mutual consent, and there were others where someone was transferred--the husband or spouse was transferred--or they have gone into another profession. So, if there is some kind of breakdown on resignations, that would be of interest.

Mr. Waldrum: I do not think that we can look--

The Vice-Chairman: Just because the farmers are coming in from the fields right now, I have two more questions I want to ask you.

When a person is in a particular category and at the maximum in that category because he has had merit pay, does that mean he gets no more merit pay?

Mr. Waldrum: That is correct.

The Vice-Chairman: So you are rewarding the bad and punishing the good.

Mr. Waldrum: The merit increases are effective up to the point where a person reaches the maximum. There is no merit pay beyond the maximum, and--

The Vice-Chairman: So you reward mediocrity, but you do not really reward excellence.

Mr. Waldrum: There is no merit pay beyond the maximum.

The Vice-Chairman: What is the percentage of people now that are getting merit pay?

Mr. Waldrum: We can give you specific figures, sir. My recollection is that roughly 68.3 per cent of the people in the service are at the maximum--

The Vice-Chairman: Thank you. They are at the maximum, so they get no merit pay.

Mr. Waldrum: That is correct.

The Vice-Chairman: So it is a way of crawling up the classification. If a person does not get merit pay, they are entitled to grieve?

Mr. Waldrum: That is correct, sir.

The Vice-Chairman: How many grievances did you have by people that did not get merit pay?

Mr. Waldrum: I do not have it with me, but I could get it.

The Vice-Chairman: Could you get that number please? I want to know how many grieved that, and what the score was.

Mr. Waldrum: The same type of thing I gave you on the other one?

The Vice-Chairman: I want to know what the score was. You will let us know who of so-called (inaudible).

Mr. Waldrum: We shall do out best to find out. I have to tell you, sir, that I am not sure that the grievance board maintains statistics.

The Vice-Chairman: One of the great concerns of this committee is that merit pay is a meaningless concept, as you know, and when everybody gets merit pay, there is no such thing as merit pay; and I have yet to be satisfied that this system rewards real merit as opposed to an entitlement that everyone gets. However, we shall get those numbers, and we shall maybe discuss this again as a very major concern, I know, for the chairman of this committee and a number of other committees--

I have another question that I am interested in. I have been to various seminars run by the Civil Service Commission, where they moved to the Briars for a week. Who goes to those things? There is one going on this week. They take a week off and they have a wonderful week.

Mr. Cousens: Get David on the invitation list and you will not have this sort of thing.

The Vice-Chairman: I have spoken to these things. Do you

have to accumulate days for that, or who chooses who goes, or do they have to make up the time they take off, or is it just professional development? What is it?

Mr. Waldrum: I think that the one you are referring to is probably the program executives' seminar, and they are fact the executives of this government. The determination as to who goes is in fact made by the deputy minister of the ministry involved, and I think that one that you are referring to--

The Vice-Chairman: Do they have to make up that time in any other way?

Mr. Waldrum: No, they do not.

The Vice-Chairman: How often do these go on?

Mr. Waldrum: The seminars actually go on twice a year, the one that you are referring to.

The Vice-Chairman: Why do they have to go to the Briars, or--I gather there is one going on at some fancy new hotel here outside of town this week?

Mr. Waldrum: That is correct.

The Vice-Chairman: What is the name of that hotel?

Mr. Waldrum: It is Meadowvale Inn.

The Vice-Chairman: Is the Civil Service Commission involved in that?

Mr. Waldrum: The commission actually operates those particular seminars.

The Vice-Chairman: So you run those. Do you have any facilities of your own? Do you not own a hotel somewhere that you--

Mr. Waldrum: No, we do not own a hotel, but we do have facilities at Kempenfelt Bay.

The Vice-Chairman: Is that exclusively under your jurisdiction at the Civil Service Commission?

Mr. Waldrum: Yes, I would say it is. It is our operation.

The Vice-Chairman: What is the permanent staff there?

Mr. Waldrum: Four, and I believe one impermanent. There is a total of five staff.

The Vice-Chairman: Is that going 12 months a year?

Mr. Waldrum: They close it down, I think, for three weeks in the summer and two weeks at the Christmas period.

The Vice-Chairman: So there are always people there being trained?

Mr. Waldrum: I cannot say that there are always people there being trained, but the objective is in fact to get the best utilization of the facility we can.

The Vice-Chairman: So at any given time, or at most times, there are seminars going on?

Mr. Waldrum: That is right.

The Vice-Chairman: Why do you have to go to the Briars if you own your own hotel?

Mr. Waldrum: There are times when you cannot get into Kempenfelt. Kempenfelt is used by the civil service and the various boards and commissions of the government as well.

The Vice-Chairman: But you have jurisdiction?

Mr. Waldrum: Yes. We operate it.

The Vice-Chairman: And do they have annual meetings, or is it exclusively training programs?

Mr. Waldrum: It may be used for a management meeting or something of that sort, but basically it is for training programs.

The Vice-Chairman: Why can you not do those at noon hour and after four?

Mr. Waldrum: I think there are training programs operating at Queen's Park that go on at noon hour and go on after four. I was talking to somebody just yesterday who was in attendance at a course, I forget in which room, in the Macdonald block last night. It is not an uncommon activity within the Macdonald block in particular; including university courses, courses operated by colleges--

The Vice-Chairman: I am talking about this executive program or whatever it is called, where they take the week off and go to the Briars. Do you think that is--

Mr. Waldrum: You asked if there were programs operating in--

The Vice-Chairman: No, I did not. I asked why could you not run that program at noon hours and after four.

Mr. Waldrum: Oh, I am sorry, I did not get the question.

You could operate it at 12 o'clock and you could operate it at four o'clock; and in effect what is done here is that certain managers are selected to go on that course, and twice a year, 20 or 25 managers go to that course, and it is operated for one week in a residential facility, either at Kempenfelt or somewhere else.

Mr. Philip: A supplementary question: Would you not agree that there are specific training needs that cannot be met on a part-time basis, and that you have to get people away into a lab setting in order to get any kind of meaningful behavioural change in certain people?

Some people need a bomb under them to get any kind of behavioural change, but at least if you get them in a lab, you may be able to get enough breakdown--I hate to use the word "breakdown" because it will sound as though I am doing the T-group; but you can at least get enough breakdown so that you can build them up again and get some change. But as long as they are in their old environment, then they can escape whenever it becomes uncomfortable.

Mr. Waldrum: Yes.

Mr. Cousens: We should send you for a week, Ed.

Interjections.

The Vice-Chairman: You think the fact that they are being trained to be the senior executives in the government--

Mr. Philip: I can tell you, I have been on enough of them, for weeks. There are not enough of them.

The Vice-Chairman: That is evidence of my point right there. Do you think that people who are being trained to be senior executives in this government have to be totally removed from the stresses of daily living so that they can develop?

Mr. Philip: I would say that, from a training point of view, you have to put people in a lab session where you can develop the kind of stresses that are necessary for them to--

The Vice-Chairman: There is no stress at the Briars, no stress at all.

Mr. Philip: I do not know. I have never been one of the trainers at the Briars; they have never invited me. But I can tell you that, as someone who has had training responsibility for a great number of people at times, with certain managers, the only way you can get any kind of meaningful change is to do it in the lab setting, and--

Mr. Yakabuski: Then maybe they should not be managers.

The Vice-Chairman: This is a point for estimates. Maybe this is not your problem; I am not sure. But I am sure not dazzled from what I have seen about that program.

Mr. Yakabuski: When the vice-chairman talks about the Briars, it reminds me of going to Cancun to talk about the Third World's poor.

Mr. Philip: Have you ever been to Cancun?

Mr. Yakabuski: No, but I know about it. I have read quite a bit about it.

Mr. Philip: I will tell you about some of the poverty in Cancun.

12 noon

Mr. Yakabuski: We are not looking at the poverty. We are looking at the (inaudible). That is what we are looking at.

The Vice-Chairman: Did you have any further questions? Two minutes after; they are having cocktails right now, waiting for your phone calls, Ossie.

Mr. Kolyn: I think we had a motion. Mr. Philip's motion of last week was supposed to be presented this week.

The Vice-Chairman: Would you like to proceed with that, Mr. Philip, or would you like to leave that--

Mr. Philip: I would rather wait until the chairman comes back, and also I think that some of the things I have talked about with the auditor and with the chairman concerning the possibility of looking at what Ottawa is doing might be an interesting follow-up and, if you do not mind my using the words again, professional development exercise.

I think we can deal with those perhaps after we have talked to our colleagues in the Conservative and Liberal and New Democratic parties in Ottawa and have seen what they are doing; because I think you may find that some of the things I am proposing are quite compatible with what your colleagues in the federal Conservative Party are advocating.

Mr. Cousens: When are we going to Ottawa?

Mr. Philip: I think that is still under discussion. It has not been decided by the committee yet that we are going, but I am certainly one of the people who will be supporting our meeting with our colleagues in Ottawa; and hopefully everyone on the committee can come.

Mr. Kolyn: Mr. Chairman, can we also deal next week with the problem of the 12 o'clock cutoff time please?

The Vice-Chairman: If you would like, certainly that is in your hands to bring up at that point. Historically, we have had some flexibility in these matters, and it is incumbent upon all of us to exercise some restraint so that we can get through the work of the committee.

Is there any other new business? Then I shall call for a motion for adjournment.

Thank you very much, Mr. Waldrum and gentlemen, for coming today. We shall look forward to receiving the information we have requested, and with any luck, you will be back soon.

Mr. Waldrum: Thank you.

The committee adjourned at 12:05 p.m.

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STANDING COMMITTEE ON PUBLIC ACCOUNTS
INTERNAL AUDITING IN THE GOVERNMENT OF ONTARIO
THURSDAY, NOVEMBER 5, 1981



STANDING COMMITTEE ON PUBLIC ACCOUNTS

CHAIRMAN: Reid, T. P. (Rainy River L-Lab.)

VICE-CHAIRMAN: Peterson, D. R. (London Centre L)

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Sargent, E. C. (Grey-Bruce L)

Scrivener, M. (St. David PC)

Taylor, J. A. (Prince Edward-Lennox PC)

Villeneuve, O. F. (Stormont, Dundas and Glengarry PC)

Yakabuski, P. J. (Renfrew South PC)

Substitution:

Kolyn, A. (Lakeshore PC) for Mr. Taylor

Clerk: White, G.

Researcher: Vokes, M.

From the Management Board of Cabinet:

Butler, R. J., Secretary

Keenan, J. W., Assistant Secretary

Rae, A., Audit Adviser, Management Standards Project

From the Office of the Provincial Auditor:

Scott, F. N., Provincial Auditor

Witness:

Littleford, R. E., Chairman, Ontario Public Service Internal
Auditors' Council

LEGISLATURE OF ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday, November 5, 1981

The committee met at 10:07 a.m. in room No. 151.

INTERNAL AUDITING IN THE GOVERNMENT OF ONTARIO

Mr. Chairman: I should like to welcome here this morning some of staff of the provincial auditor. We should be glad to have you here every Thursday morning. We could always use a crowd.

I should also like to note that in our audience we have Bill Bradshaw and Alan Willis of Touche Ross and Company, who conducted part or most of the study of the internal audit, along with Gordon Calderwood of the provincial auditor's staff.

Appearing before us this morning are Mr. Ron Littleford, chairman of the Ontario Public Service Internal Auditors' Council; Mr. Jim Keenan, assistant secretary, Management Board of Cabinet; Mr. Allan Rae, management standards project, Management Board of Cabinet, and a familiar face; and Mr. Bob Butler, secretary of the Management Board of Cabinet.

Which one of you gentlemen is going to lead off? I see we have a little show and tell. I gather that comes a little later in the program.

Mr. Butler: As you have introduced the people here, Mr. Chairman, we are going to try to respond as best we can to any of your queries dealing with our activities and, in particular, with those that deal with the internal audit program we have under way.

As you are probably aware, the internal audit has had a considerable amount of attention by us for well over a year now. When we launched the management standards project in the secretariat, one of the principal elements we thought about was internal audit and its adequacy or lack thereof in the government. In May 1980, we struck a committee, and a task force was put together under the direction at that time of the assistant deputy minister in the Ministry of Natural Resources, Mr. Keenan. He subsequently joined us, fortunately and chaired a task force, which was selected and developed from within the government, of some of the best people we had, both line managers and experts in the field of auditing. They formed this force in May 1980 and tabled their report in December 1980.

Mr. Keenan will explain the task force's role and what it did and how and why, following myself. Then Mr. Allan Rae, who has been with the Management Board secretariat for a number of years and is our resident expert in this field, will speak in a few minutes on how the task force's reports and analyses were activated and implemented, and we are right in the middle of doing that now.

We were really quite fortunate in December 1980 that the auditor's report also came forward at the same time. That included an in-depth analysis of internal auditing activities in the government. We were able to use that particular report, combined with the task force's analysis. In combination they had given us a really excellent set of tools and directions to work with and towards, and we are now right in the middle of it.

We frankly think that the auditor's report was not only very good, but it was quite a discipline in checking on what we did. We had nothing to do with that, of course, but we used it as a monitoring device to see whether our studies and analyses had been reasonably effective. They got a whole different dimension because they were talking about the adequacy of internal audit as a role they could use in their own auditing activities, and that was a dimension we had not looked at; so it was most helpful.

We can respond to virtually anything you would like to direct to us. I think it is fair to say, however, that the management standard project, which was much more oriented towards a comprehensive management study and management across the government, has turned into quite an exciting and, I think, beneficial project for the government and the management thereof. If you would like us to speak to that later, I shall be glad to do that.

Maybe it would be best for us to start by Jim Keenan analysing what the task force did and his role therein, and that might trigger some interest by the committee.

Mr. Chairman: Before you go ahead, Mr. Keenan, it should be underlined, and I may have confused it, that Mr. Butler pointed out there were two reports, one done by Management Board, which is the blue report, the report of the task force on audit policy, and the report done separately by and for the provincial auditor by Touche Ross, amongst other people. There are the two studies, and we shall be discussing both of them this morning.

Mr. Keenan: Thanks very much, Mr. Chairman and gentlemen. As Mr. Butler has pointed out, the task force on audit policy, which I chaired and which is the principal purpose for my attendance this morning, was essentially a priority initiative of the management standards project. I suppose that project in turn is a reflection of the general government concern, and particularly the concern of Management Board, with the whole matter of of management within the Ontario government.

10:10 a.m.

This in turn, of course, flows from a number of sources: the general public concern with accountability and value for money; the whole matter of constraint within government, the need to manage better, to do more with less; the extent to which other organizations rely on internal audit, and the provincial auditor is one of these. As he has stated in his report, he would like to be able to rely on the internal audit, and as well the central agencies of government, which in themselves do not retain this function. As a consequence of that, the task force which it was my privilege to chair was established.

The task force was made up of both line and central agency people. Four line ministries were represented, including, as has been indicated, myself, at that time from the Ministry of Natural Resources, and there were also four central agency representatives on the task force. I shall not go into the names, but I should be glad to indicate them to you should you be interested.

The task force was asked really to do three things, to put it as briefly as possible. One was to recommend on the scope and mandate for internal audit, essentially to recommend what internal audit should do within the government of Ontario--in other words, the scope for a fully developed contemporary internal audit program and the mandate within ministries for the internal audit organization.

Secondly, the task force was asked to recommend and comment on standards for internal audit, including the key conditions, the processes, the reporting relationships and the practices that were considered essential for the operation of an effective internal audit organization, in order to achieve the objectives of the government and, in turn, to assess in evaluating internal audit how well it was doing.

The third area the committee was asked to report on was the question of how to evaluate, how would the internal audit operations be evaluated by the government as distinct from the provincial auditor.

To go fairly quickly to the recommendations of the task force, I should add that in developing these recommendations there were a large number of people involved from within the government. Something like 40 people from various ministries and agencies were involved in subprojects, if you will, within the general work of the task force. Therefore, it had very broad representation from a lot of ministry staff, drawing from their particular expertise and from the particular roles where they work.

In addition to that, the task force, or members of it, met with federal government people, private sector people, Ontario Hydro, and also with the provincial auditor.

Mr. Sargent: What do you mean by private sector?

Mr. Keenan: Imperial Oil, for one.

Mr. Sargent: Did you ask Hydro to justify its own staff?

Mr. Keenan: No, sir. We talked to Hydro about how they carried out internal audit within Hydro because they had an operation that was very much along the lines of what we felt was required within the Ontario government. In other words, they carry out an operational audit as well as a financial audit.

Mr. Sargent: But you personally wrote the terms of reference for the whole package, did you?

Mr. Keenan: As the chairman of the task force, I was responsible for the preparation of the report. I did not write it all, but I was responsible for its preparation.

Mr. Sargent: The auditors are very critical of the terms of reference.

Mr. Chairman: Mr. Sargent, perhaps you would let Mr. Keenan finish, and then we could direct questions. Perhaps you could make a note of them as we go along.

Mr. Keenan: Thank you, Mr. Chairman. In recommending a policy to the Ontario government, to the Management Board of Cabinet, the task force recommended, first of all, that the principal objective of internal audit be to assist senior management in effectively discharging its responsibilities. In this sense, the internal audit provides to senior management, and more particularly the deputy minister, assurance that the processes are in place that are required for the effective and efficient management of the ministry, that there is a flow of information that he can rely upon and make recommendations for change where corrective action may need to be made or where improvements may be possible.

As to the scope of the internal audit, the task force recommended that audit be comprehensive in nature; that it include the evaluation of the total control process, moving from what had in many ministries been essentially a financial audit, but still including that, and moving into the area of management control--the audit of systems that has been spoken to--recognizing the two fundamental aspects of internal audit, first, to review and evaluate and report on the adequacy of control processes and, secondly, to report on the compliance with those control processes, again within the context of value for money, economy and efficiency, assuring that systems are in place to measure the effectiveness of programs.

The recommendation was made that ministry audit programs be developed through a rigorous planning process in order that the total management processes within a ministry should be covered by audit in a planned and prioritized way. Finally, there were a number of recommendations dealing with other issues, such as the central agency relationship, the support of the internal auditors council and the co-ordinating role of the Management Board secretariat.

In its report the task force also proposed standards. These were not by way of specific recommendation. They were by way of a statement of standards that were proposed to be desirable for inclusion within the management standards program, and that has happened. Also, it dealt in there with the question of how internal audit would be evaluated by ministries and within the government.

To turn very briefly to matters of implementation, it was recognized by the task force that for many audit organizations the role and mandate recommended would constitute fairly considerable change. Some, essentially being involved with financial audit moving into a systems-oriented approach encompassing management controls, represented a considerable change. It was recommended that this should be done in an evolutionary way, building on the existing resources and augmenting resources and skills, where possible, to move into the new expanded audit area.

It was felt at the time of the report that a three-year to five-year period was not an unrealistic period in which that might happen. The task force addressed the area of resources and recommended to Management Board that additional resources certainly would be required in order to implement the new audit mandate.

10:20 a.m.

It was also recognized that auditors have had in many areas an attitudinal problem as to the kinds of things they set out to do. In some cases they are not viewed with great acclaim by line operators and line managers in organizations, perhaps because of the type of auditing that has gone on, which is the financial type of auditing and perhaps over-attention to detail, transactions and criticisms, rather than the positive approach and the positive aid to management that the task force saw as essential and, indeed, as auditors increasingly have seen and are seeing.

It was recognized that for internal audit to do its job in ministries it had to take place in a supportive environment where it had the very clear support of the most senior management, in the position of the deputy minister and his or her senior staff, and that auditors had to be given both the authority and in the terms of reference a clear indication of what was expected of them in order to do their job; that the ministry line managers should be participants in the planning process for the work of audit within the ministry; and, finally, that there should be a positive and supportive role on the part of the central agencies in their support of the internal audit organizations. Thank you, Mr. Chairman.

Mr. Chairman: Thank you, Mr. Keenan. Are there any questions at this time?

Mr. Sargent: I guess it is a silly question really, but why would you not go for an external audit?

Mr. Keenan: Do you mean replacing internal audit with hiring external auditors?

Mr. Sargent: My point is I have a very suspicious nature. I think that this government is the most corrupt government in the world and I think that maybe your whole operation could have been to find any hanky-panky that is going on before it gets to the auditor. I always think that it is time in government for an external audit. It should be done at some time along the road, especially in Ontario. Was anyone paid on that task force job?

Mr. Keenan: No, sir, not other than our pay as public servants.

Mr. Sargent: You say you have 40 people involved?

Mr. Keenan: No. I said that in the work of the task force, as it is commonly done, the work was segmented into particular projects to be undertaken. In doing those, we drew for a greater or lesser length of time--normally relatively short periods of time--on expertise throughout the government.

Mr. Chairman: Excuse me, Mr. Sargent, maybe I can--

Mr. Sargent: I object very much. I am asking questions here. You are always interrupting or asking questions.

Mr. Chairman: Mr. Sargent, I just thought I could save us all some time, but you go ahead.

Mr. Sargent: I certainly will. If you had found some hanky-panky, what would you have done with it? Would you have gone to the deputy minister and said, "This is bad; we have to cover this thing up"?

Mr. Keenan: Mr. Sargent, I think you would have to draw a distinction between the work of the task force, which was asked to recommend policy under which internal audit would be carried out within the Ontario government, and the operation of specific internal audit organizations within a ministry, which was the subject of the careful investigation of the provincial auditor in his work. In that sense, we were not auditing ministries. We were looking at the broader corporate concerns in the field of internal audit and responding to the request from the government, through Management Board, that we recommend on--

Mr. Sargent: Why do you think Management Board would recommend that?

Mr. Keenan: Recognizing that internal auditors are an important part of the control process in any organization, be it government or private, in auditing and independently reporting--in this case in ministries to the deputy minister, we were to recommend on whether the objectives of the ministry are being achieved in accordance with the processes that are set out for their operation in the ministry.

Mr. Sargent: You question the auditor's review. He said you were functioning without any approved or published terms of reference on a mandate for internal audit and that where they existed, they were frequently ambiguous or obsolete. That does not go along with what you are saying.

Mr. Keenan: That is quite true. In the report of the audit task force, the standards for internal audit that were recommended and accepted by the Management Board and by the government included recommendations that were totally consistent with the recommendations of the provincial auditor in terms of the need for specified terms of reference, the need for planning for internal audit to embrace the total audit universe and to set priorities--just exactly the criticism that you are expressing.

Mr. Sargent: Basically, what you were doing was method.

Mr. Keenan: Policy and to some extent method as it related to standards.

Mr. Sargent: But you cleared this with the deputy minister in each case?

Mr. Keenan: No.

Mr. Sargent: You said that.

Mr. Keenan: No. What I said was that internal audit organizations report to their deputy minister. My report was to Management Board. The deputy minister with whom I dealt to the extent that I did on the work of the task force was Mr. Butler as secretary of the Management Board. I repeat that the job of my task force was done corporately for Management Board in the context of its management concerns.

Mr. Sargent: Finally, you said that Management Board asked you to review the terms of constraint. You are kidding about that, aren't you, when you said there was a constraint program on?

Mr. Keenan: No.

Mr. Sargent: Do you see any merit in, or would you have enough power, to recommend an outside audit of government?

Mr. Keenan: The task force considered whether external audits might be utilized and agreed that there well may be cases where, to augment the work of the internal audit organizations, it might be used. On the other hand, it was rejected by the task force as a principal means of carrying out internal audits for a number of reasons, including the knowledge requirements for effective internal audit, the fact that internal audit can be a very effective training ground for other ministry managers or potential managers. One gains pretty good experience through the internal audit operations, and that type of benefit would be lost if one were dealing entirely with external audit.

Mr. Philip: I am going to ask a question, and if you plan to deal with the subject matter of it later in some detail, please tell me. I am quite prepared to wait. One of the problems, I think, in having key public employees accept, or not feel uneasy about, the internal audit system is that it is often confused with program evaluation. I wonder if, at some time in your presentation, you deal with the distinction.

Mr. Butler: Yes, we do, Mr. Philip.

Mr. Philip: Thank you.

Mr. Chairman: I think it would be helpful if we waited until we heard the whole presentation because I think a lot of these questions will be addressed.

Mr. Butler: I just wanted to comment on the principle that Mr. Sargent raises of external audit versus internal audit. There is really a role for both. It just depends on what the situation is. If you look upon internal audit as a mechanism for catching somebody, then that is one perception of an internal audit. If you look upon it as a management tool which identifies weaknesses in the system, areas that should be addressed, then that is a positive role for internal audit.

I do not know of any corporation, Mr. Sargent, of any consequence that does not have some kind of internal auditing activity, because if the management of that corporation

understands its role, it is not seen as a watchdog; it is seen as an assist in identifying weaknesses. If the people who run the place are so stupid--and I mean that--as not to understand that that is what their job is, then it casts a different light on the internal auditor.

My experience in this government, especially over the last two or three years, is that there is a growing understanding that internal audit performs quite an important management role that has nothing to do with cover-up whatsoever. It helps identify weaknesses in the system that should be addressed. If the management concerned does not address the system, then you may be right, and that is a different role entirely.

10:30 a.m.

On the other hand, if this is such a complex area that as a matter of principle they do not trust the internal audit, or they do not have adequate staffing, it is quite appropriate that they reach outside for a survey to be done by outstanding experts. I would think both of those things may apply in certain situations.

If you would bear with us a moment, we would like to talk about how we addressed the implementation question of the task force report and the provincial auditor's analysis. We have a little thing to show you. I have asked Allan Rae to deal with this particular subject on implementation and then you can make a judgement whether we are doing it adequately or not.

Mr. Rae: Mr. Chairman, as you indicated, the committee has under consideration two reports, the report of the task force on audit policy, which Mr. Keenan has just dealt with, and the report of the provincial auditor. As Mr. Keenan has mentioned, the findings of those two reports were quite compatible.

Based on the findings in those two reports, we felt that there was an obvious need, first, to clearly spell out and publicize why internal audit is needed and what it is and, secondly, to establish in broad terms what constitutes a satisfactory internal audit process--I describe these as dealing with the why, the what and the how of internal auditing--and, thirdly, to provide support and guidance to ministry internal audit operations in accordance with the responsibilities granted to the Management Board secretariat by the report of the task force on audit policy. The substance of my presentation this morning will be to tell you what we have done in each of these areas.

The report of the task force was made in December 1980. Mr. Scott's report was made also around that same time. I think you will find that during 1981 we made significant progress in each of these areas. I will leave that to you to judge.

If I can come back to the why and the what of internal auditing, I think, Mr. Chairman, I heard you refer to internal audit once as somewhat arcane, and I think it is a bit of a mysterious subject for many people. We felt that we had to clarify

the role of internal auditing. We have done this by clearly spelling out in a film, in a brochure called Internal Auditing, of which I believe you have a copy, and in the management standards booklet for internal audit. All of these things clearly spell out the role of internal audit.

With your permission, Mr. Chairman, we have a film here this morning we would like to show you. We think it is, first of all, informative as to what internal auditing is all about and, secondly, it will provide that intangible evidence of what we have done in one area with respect to spelling out the role of internal audit.

I could say, while they are getting ready, that the film, the brochure and the standards booklet are being widely distributed and publicized throughout the government.

The committee viewed a film from 10:35 a.m. to 10:47 a.m.

On resumption:

Mr. Rae: Mr. Chairman, it is obvious that the film was geared to line managers, the people who are the auditees. Mr. Keenan mentioned in his remarks that he felt there was a very obvious need to try to change the image of internal auditors to emphasize that they are members of the management team, and the film was an attempt to do that. It is available in videotape, as well as 16 mm, to all ministries and agencies in the government of Ontario, and it will be used as a training aid.

Mrs. Scrivener: It is obvious that that film was oriented to line managers and to get them to relax a little bit when they are being subjected to an internal audit. But it talked only of problems. I have observed that every now and again you have a manager who is innovative, quite creative and more efficient. Are any of those techniques picked up and relayed? I ask this because I heard no comment about the good things.

Mr. Rae: One of the unfortunate things about internal audit is that it does tend to concentrate on problem areas. At the same time, Mrs. Scrivener, the internal audit operation can be a vehicle for carrying superior methods from one part of the ministry to another. That quite often happens. One will find that one branch has established a superior system of control in some particular area, whether it be personnel, goods and services or what have you. They are then in a position to advise managers in another area how that other branch did it and how it might work there. It definitely does have very positive aspects.

Mr. Cunningham: I am concerned about the reporting procedure. If during the course of an internal audit, the people doing the internal audit were, unfortunately, unfavourably impressed with the conduct of a certain agency, commission or part of the government, to what end do they have a responsibility to report to the public or to the Legislature?

Mr. Rae: This is a question of the internal audit reports being available to the Legislature. The reports of

internal audits almost always go to the deputy minister of the ministry involved, as well as to the line manager whose operation was the subject of the internal audit. Thus, they are in the same category as any other internal document. I think that whole subject would be under review in connection with the Freedom of Information Act.

10:50 a.m.

Mr. Cunningham: You will pardon the cynicism that seems to be expressed by my chairman on that subject because we have been hearing about that for a long time. We listened to the Minister of Municipal Affairs and Housing (Mr. Bennett) admonish municipal councils for their reticence to have freedom of information. When we ask for information pertaining to Suncor we get an annual report and an old speech.

I am concerned that I, as a legislator, would be in a position where I might more fully appreciate the operations of a particular ministry, let us say the Ministry of Transportation and Communications. I might be favoured with the report of what they used to refer to, euphemistically, as the dirty half dozen at the MTC. I would like to see their report some time.

How repugnant to the public interest would it be for me to be able to take a look at those reports, if only in privacy, or in a meeting with the deputy minister, so that I might determine for my own part--if I were, say, the critic, as I was for a period of time--from an internal auditing point of view that the public was being well served. The lack of that report, or my inability to see or review it on my own, causes me to be somewhat unappraised of what is going on. I can only take a look at the final audit, which does not contain working papers or a detailed evaluation of an internal audit. It is not helpful to me at all in what I regard to be a fundamental responsibility in discharging my responsibilities as a legislator.

Mr. Butler: I would just remind Mr. Cunningham that although this is an internal document, the assumption we make is that the provincial auditor and his ministry audit has access to really any documentation at all in any ministry at any time. As I indicated at the outset, one of the things I believe prompted the detailed analysis they did was the need to determine the adequacy, or lack thereof, of internal auditors generally across the government. I think they were looking for ways and means they could utilize to examine their activities.

We work in the Management Board secretariat on the assumption that any internal document is available to the provincial auditor in his continuing activities and analysis work. I am not sure I speak for Mr. Scott, but I believe that is an understanding.

Mr. Cunningham: I want to say I am impressed with the development that has gone on to date; I think it is helpful for the process. You will understand that my friend Mr. Scott does not go back to the constituency of Wentworth North and report to the grateful taxpayers in that constituency with regard to every report that may or may not come up. That, fortunately or unfortunately, is one of my responsibilities.

I don't know whether it is your fault or whether we can attach any responsibility to your office in this regard, but I am not well served by this process. I have to take at face value the conclusions that are left, not by the auditor necessarily, whose office is somewhat curtailed, but what is said by the minister. In many ways the minister, to be fair to the minister, must be in a position to take at face value what is served up by the deputy minister.

I well appreciate the role of deputy minister in the parliamentary democratic process. It is a very difficult one indeed. For my part, I would like to see some mechanism whereby not only this committee might involve itself in examination of internal audit reports, but members as well. If perhaps we were to rotate two or three ministries at random through this committee or through another legislative mechanism, I think it would be a tremendous thing in the public interest, especially as we determine whether or not we are getting value for money that is spent.

We are, I guess, the largest corporation in Ontario. We have seen our budget grow. I cannot recall the statistics my friend Mr. Villeneuve gave me on one particular occasion, but in 1947, when he came here as a member, our budget was pretty thin. We still were probably the biggest business even in those days, but our budget now tops \$20 billion.

I will not get into our shortfall or what we pay in interest alone to subsidize the debt, but that is a lot of money, and it goes up and up every year. I really think that legislators somehow should have a mechanism for taking a look at those internal audit reports to determine whether or not the public is being well served.

Mr. Chairman: Mr. Butler, do you wish to respond to that?

Mr. Butler: No.

Mr. Cousens: Right on with what Mr. Cunningham was saying, I should like to present that this is one person's point of view and one person's perception of what he should be doing as a legislator. Contrary to what the honourable member is saying, I have somewhat of a different perspective. If I may counter that and just lay it on the table, it may be something we could discuss as a committee along the way.

I see the provincial auditor providing this committee and this government with data from which we can make decisions and explore further and cause inquiries to be made. For legislators to start delving into individual ministries and into files of the depth that could begin with the kind of study that the honourable member has suggested, is, I think, outside of the guidelines in which we we should be acting.

We have on the payroll the auditor who is going to do that for us, and the moment he does not do that is the day he fails to fulfil his function. There are many other things that government should be doing, but primarily it is the development of policy.

Through the development of policy and legislation, we want to have it monitored, and that can be done through this process, through the internal process and various other things.

One thing came out in the answer that was just given as well, and it was good to see it reconfirmed, was that if there is an internal audit within a ministry, that data is available to the provincial auditor so that there are no secret files, there is nothing kept away from him, and he is then in a position to evaluate that. Then if he is alarmed or concerned about something and has not been able to resolve it, he should present it in his annual report.

Mr. Chairman, I present another viewpoint to that of Mr. Cunningham, and I disagree very strongly with what he is trying to obtain in that. May I go a step further. I do not think this is necessarily the forum for that, but it may well be.

Mr. Chairman: I prefer not to get into a debate amongst ourselves. We have these gentlemen here to answer questions, not to ask each other questions. I really do not want to get into a debate. When we come to discuss our final report, we can.

Mr. Cunningham: I choose not to get into a debate because our views are obviously at variance, and that is one of the reasons why I respect the honourable member. I just wanted to ask one further question of the people that are here today. Is there a process you could recommend so that we could occasionally, God forbid, as members of the Legislature, take a look at internal audit reports, possibly on a rotating basis? Could we take a look at maybe two ministries a year? Would that be contrary to public interest?

Mr. Butler: I do not think it is our role to answer that, Mr. Cunningham.

Mr. Cunningham: Could I just ask one more question then? Would you think it might be helpful to us, as members of the Legislature, to develop an understanding of what is going on in those ministries, if we would on an annual basis take a look at one or two ministries in some detail and take a look at the internal audit report? If there is nothing to worry about in it, it might be very helpful, a great educational process for us.

Mr. Butler: I really cannot answer the question. I bow to Mr. Scott's role and his position in the government and the respect for his capability. I would just think he has the resources and background to do the job on your behalf. That is just an observation as a visitor here.

Mr. Philip: I am not sure that there is really a difference of opinion between my two colleagues, one from the Liberal and one from the Conservative Party

Mr. Cousins: Oh, yes, there is.

Mr. Philip: Is it not part of the process of this committee that we can refer on a regular basis the audit of any

ministry, and that these documents would be reviewed by the provincial auditor and a report would be made back to us? Therefore, we have within the committee the process to do that already. I am sure all members of the committee would accept that as an ongoing process that could be done.

Mr. Chairman: That is the way the system works at the moment. We rely on the auditor. Mr. Sargent raised a point on internal and external. The auditor is the external auditor in most cases, in all of them pertaining to government ministries, and he has access to all of the internal audits. In his comments, he made reference to the fact that some of them were not up to what he considered standard and were not reliable.

11 a.m.

Mr. Philip: I recognize that. All that Mr. Cunningham is suggesting is that rather than the external audit, if you like, or the review of the internal audits by the provincial auditor taking place when members of this committee may feel there is a particular need with a particular ministry, there be an ongoing review in a selective way, and that he report back to us whenever there is reason to report. I think that might serve everybody's need, and I do not really see any conflict among the members. At least I would hope that members of the government would not object to that kind of process.

Mr. Chairman: Hopefully, what this committee will arrive at at some point, and we have to appreciate that all of this is an evolutionary process at the time, is that we will start concentrating on maybe four or five ministries every year and do it in a cycle. Instead of dealing with something from this ministry and something from that one, we would take a comprehensive review of, say, the Ministry of Transportation and Communications and go into that quite thoroughly. Obviously we will not be able to deal with all.

Mr. Philip: That is all Mr. Cunningham is asking for.

Mr. Chairman: That is right. I do not think there is anything particularly wrong with that.

Mr. Sargent: Mr. Chairman, that sounds good, but I suggest to you that they would be doctored before you got them.

Mr. Chairman: Well, Mr. Sargent, that is your view.

Mr. Sargent: That is what it is all about.

Mr. Chairman: I cannot agree with you, Mr. Sargent. You are impugning the integrity of a lot of people, including the auditor and everybody who works in the civil service, and I personally cannot agree with that point of view.

Mr. Sargent: If they find anything wrong, they are not going to put it into a report. They are going to go to the minister and say, "This is wrong. We must doctor this before it goes into the internal audit." That is what it is all about. That is why we have this setup costing us \$12 million a year.

Mr. Cousens: Mr. Chairman, I must intercede. I just ask a question for clarification through you. The provincial auditor has been on the job. Has there ever been any evidence of doctoring? That kind of statement, to me, really challenges the integrity of the whole system, Mr. Sargent.

Mr. Sargent: You have got to be kidding.

Mr. Cousens: I am not kidding. Doggone it, man, if there is going to that kind of stuff going on, you have got a far bigger problem than you think you have got. But I do not believe that is there, and if it is there, it is up to the provincial auditor to make that kind of statement known to us.

Because you have said it, just to clear the record, I want to ask him if he has found signs of doctoring--not a horse doctor--in the sense of the doctoring you profess. If so, has it been brought to the committee's attention, and then we shall ask the other question, what we can do about it. I ask that through you, Mr. Chairman, because that is a very serious charge.

Mr. Scott: Mr. Chairman, in reply to Mr. Cousens, I would have to say, no, we have had no evidence of any statements being doctored before they have been submitted to this office for review.

Mr. Philip: I think that we can look at "doctoring" in two ways. I see nothing wrong with one form of doctoring.

Mr. Sargent: You guys have to be kidding.

Mr. Philip: One form of doctoring would be simply as a management tool, that the internal audit is to help the manager, and when he finds some weaknesses in the system, then the onus on a good manager is to change and improve that system. I would encourage that kind of doctoring. That is the way it should be done.

Mr. Chairman: That is the point of the whole exercise.

Mr. Philip: Even though, as a member of the opposition, my job is to find as many as possible of the mistakes you make, I still hope that as many of the internal mistakes and inefficiencies as possible are also caught, perhaps even before I find them.

The other kind is a coverup. That is a pretty serious allegation, and I would think any chartered accountant would lose his licence if he were part of that kind of thing.

Mr. Cousens: I hope he would lose more than that.

Mr. Philip: The minister might lose something as well.

I should like to go to a different set of questions.

Mr. Chairman: Before you do, Mr. Philip, I wonder if Mr. Rae has completed his remarks or if there are any others from our guests this morning. Perhaps we could go through it and, as I said earlier, some of these questions might be answered.

Mr. Rae: Thank you, Mr. Chairman. I realize the time limitations on the committee.

That film spelled out the why and the what of internal auditing, and I hope it answered a question you may have had. I think Mr. Philip had a question about program evaluation, and I hope that clarified it. If not, we should be glad to respond.

Mr. Philip: I have a few more questions.

Mr. Rae: Fine. I think the main points that came out of that film were that internal audit evaluates both financial and management controls, that it does not do program evaluations, and that it is part of the ministry management control system. It assists management but it does not evaluate management.

In addition to spelling out the why and the what of internal auditing, I mentioned at the start we have also attempted to clarify the how of internal auditing. To that purpose, we have developed this brochure on internal audit. This contains the principles and standards for ministry internal audit processes, what we feel would represent a satisfactory internal audit process, a model, if you will, an objective for ministries to strive for. The standards and the role we mentioned are perfectly compatible with the findings of the provincial auditor in his report and with the findings of the task force on audit policy.

I am prepared to go into the question of the standards that are in this booklet, to pursue them, to talk about them, if the committee should so wish.

Mr. Chairman: Mr. Rae, we have the pamphlet, and I am sure that each and every member will read it just before he goes to bed at night, so perhaps we will accept your invitation on another occasion.

Mr. Rae: I suspected that might be the answer. In respect to the third point I mentioned, which was providing support and guidance to ministry internal audit operations, the Management Board secretariat, with the close co-operation of the Ministry of Treasury and Economics and the Civil Service Commission, is providing training and development to the internal audit community. We have arranged for additional staff in the area of internal audit and we do provide an advisory service to the ministry should they so wish to take advantage of it.

That really concludes the remarks I had in mind, Mr. Chairman.

Mr. Chairman: Thank you, Mr. Rae. Is there anyone else?

Mr. Rae: Mr. Ron Littleford is the chairman of the Ontario Public Service Internal Auditors' Council and I believe he would like to explain what that council is about and some of its activities.

Mr. Philip: Before we go that route, I have some questions that have come from the presentation so far, Mr. Chairman.

Mr. Chairman: I have a number myself, but I think I would prefer, if you would, Mr. Philip, to get all the presentations in and then we can ask questions of each of them.

Mr. Philip: We may have to bring them back next week then.

Mr. Littleford: The council consists of the 25 heads of internal audits in the Ontario government, using all of the ministries and several of the crown agencies, for example, Workmen's Compensation Board, Hydro, LCBO, Ontario Lottery Corporation, et cetera. Some of these people do have professional designations in the accounting fields and all of them are members of the Institute of Internal Auditors which is an international internal audit organization operating in most of the free countries of the world.

We hold quarterly meetings to discuss mutual problems with the 25 members and, in addition, each quarter we bring in a guest speaker or pump up one of our own people as a guest speaker and invite the entire audit community, the lesser lights, in to give them some background on what is currently the hot issue on internal auditing--comprehensive auditing, EDP auditing, fraud seminars, report preparation and presentation and so on. We are doing this constantly to try to upgrade our own people in the audit procedures.

About four or five years ago, we ourselves recognized the lack of thrust the internal audit community has. We took a document produced by the Institute of Internal Auditors and plagiarized it, received permission from the institute to use that plagiarization, and developed a standard of professional practice in internal auditing in Ontario. It is a document of professional standards.

We were just getting into the process of starting to try to implement this thing throughout the government--it is not up to the auditor entirely to go ahead with that; he has to get the approval of his deputy minister as it involves what we then called the operational audit--and then 1977 rolled around. The Audit Act changed and the magnifying glasses and telescopes came out and centred on internal audit. I believe the standards were referred to by the Bradshaw report, the provincial auditor's report. I believe they were also used by Mr. Keenan and his task force on audit policy.

11:10 a.m.

We have also produced EDP audit standards because the area of electronic data processing in internal audit has become a major concern to all auditors. Many of us were not up to date as much as we should have been in the area of computerization, certainly the audit aspects of computerization. We are trying to upgrade ourselves through EDP audit standards. We have a subcommittee on EDP as a subcommittee of our main committee. This is staffed by senior EDP auditors, mostly from the larger ministries where there is a large EDP group. Again, it is a case of self-support where we are teaching each other how to proceed with EDP audits.

As an outcrop from the task force on audit policy, we also created a subcommittee on certain levels of classifications. We have a problem in that we have difficulty in identifying ourselves as a separate entity from the financial officers by the Civil Service Commission. Through this subcommittee, we are attempting to try to do something about identification of internal audit and classification in internal audits.

In the area of training, several years ago we developed a basic course for internal auditors coming into the Ontario government, whether or not they were new people to the audit field or chartered accountants and experienced auditors. This is a two-day course run by the council. The members of the council act as instructors on this course. We teach the novice Ontario government auditor what the Ontario government is about. We cover auditee-auditor relationships. We also cover the legislative process. We talk about the public accounts committee--

Mr. Chairman: I would like to hear that one.

Mr. Littleford: --money votes, acts and regulations and so forth. The idea is to acquaint someone new to the Ontario government with the government process, which is considerably different from industry.

The EDP subcommittee has come out with a list of 18 subjects it feels are pertinent to EDP. They are in the process of running courses for auditors interested in EDP on how to approach these particular areas of concern.

About two years ago four of us, under the good graces of the government accounting office in Washington, travelled to Washington to take a one-week basic course on EDP training. As a result of that, the Ontario government purchased this package from Douglas Aircraft and Computer Corporation in Vancouver. That is now being run by the Civil Service Commission. The instructors are being taken from the council to run it. We are running a course for auditors and are using auditors as instructors. This is an excellent course as a background to EDP and, therefore, to EDP auditors.

We have just recently formed a subcommittee in conjunction with the OPP. We are setting up a training course in fraud identification and presentation of evidence. We will be setting up a one-week course for the audit community at the Ontario Police College in Aylmer, Ontario.

As a group, we recognize that audit still has a long way to go. However, we are long way ahead of where we were when the task force on audit policy first started and when the provincial auditor's report came out a few years ago.

Mr. Chairman: Mr. Littleford, I do not know if you were there, but about six years ago I spoke to the Institute of Internal Auditors. It was probably one of the worst speeches I have ever given.

Mr. Littleford: Mr. Chairman, it was certainly not the worst speech we ever had.

Mr. Chairman: I appreciate that. The point I tried to make that night was that internal auditors had come out of the closet, so to speak, a phrase that has some other connotations. I am glad to see that the internal audit is finally getting the kind of recognition and importance it should have.

Just for clarification, I wonder if you could tell us, first, the qualifications required for an internal auditor. Most are not accountants, as I understand. What is the educational background or requirement?

Mr. Sargent, I think has a point, as he usually has somewhere, when he says we are running a \$20-billion corporation. I noticed at the Management Board seminar on Tuesday and Wednesday under EDP that, in the whole fact of EDP auditing, fraud is to some extent almost impossible sometimes to catch.

I have been the chairman of this committee for seven or eight years, or longer--it seems longer--and yet we very seldom have any instances of fraud coming before us. I do not think, quite frankly, our job is to try to find or expose fraud as such, but we very seldom hear about it. For the edification of the committee, Mr. Sargent, who will no doubt read Hansard very carefully, I wonder if you could address that matter as well. What happen if by chance you find something that is fraudulent?

Mr. Littleford: Mr. Chairman, you have asked two questions and I will try to answer them in order. The first was on the qualifications of internal auditors. In most cases today, we still have trained financial officers as internal auditors. They have been recycled financial officers that got into the internal audit field. We also have a large expanding group of engineers and program managers.

Our crying need today is people outside the financial background with management background to get into internal audit. With the expanding role of internal audit, where we are testing that the systems are in place for the proper control for management, we need management-trained people. Those of us that have been in the audit community for seven years have tried to train ourselves in this area. Certainly we are starting to look for people like that. It is also a very difficult thing to attract EDP officers. An EDP man is much more comfortable in systems. Frankly, he can make more money in systems until he gets into a pretty senior audit classification. We are having great difficulty in attracting EDP auditors, but we do need people with strong EDP backgrounds.

In answer to the second portion of your question, what happens when we do detect fraud? I think I speak for the community as a whole. When something comes up during the course of an audit that appears that it may be fraudulent--we have not necessarily had positive identification at this point, but it looks as if it is going that way--there is an immediate meeting with the deputy minister to say, "We have a problem. How are we going to proceed?"

Despite what Mr. Sargent said, there would not be a coverup. If that, in fact, happened the report would be written, regardless of the final result by the ministry as to how it was going to

handle that fraudulent report, and certainly the provincial auditor would be aware of it in his next visit. Generally, you do not want to make headlines with that kind of thing. You walk around it as much as you can and deal with the problem.

I suppose the ministry with the most fraud identifications to date has been MTC, partly because they are also the ones with the largest internal auditor group. They are very much aware that fraud is out there. We know it is out there, and it is a case of being able to identify and deal with it. That is why we, as a council, are setting up this fraud identification course with the OPP.

Mr. Philip: Have you identified any group where charges have been laid so far?

Mr. Littleford: I personally, sir?

Mr. Philip: No, the system.

Mr. Littleford: Yes. There have been some charges laid within the Ontario government for fraud against some people.

Mr. Philip: That would be what, the Liquor Licence Board of Ontario instance?

Mr. Littleford: That kind of thing, yes. That is, I guess, the most recent headliner.

Mr. Philip: My father was in the radio business and the one thing that assured was we never had a radio that worked. The auditor's report of 1979-80 points out that there are large EDP systems that have never been audited. I wonder if you can comment on that and tell us what has been done since then.

Mr. Littleford: As I mentioned in my remarks, we have an EDP subcommittee that is working very hard to try to upgrade auditors in EDP. Directors of internal audit are very much aware of the need to audit EDP systems. We are attempting within staff constraints to attract EDP people and convert them to auditors. We have found it is better to take an EDP man and make an auditor out of him than it is to take an auditor and try to upgrade him to an EDP man. It works both ways, but it is more successful if you take a knowledgeable EDP man and make him into an auditor.

11:20 a.m.

One of the problems is that after he has been an auditor for a couple of years he may get further and further removed from an EDP area. Take a relatively small ministry where there is a fairly large EDP function, but not enough to keep a man gainfully employed full-time. The tendency there is to take that EDP man and start using him on other audit areas. He starts getting out of touch very quickly with the tremendous improvement in EDP today. The whole field is moving so rapidly that it is a difficult job for the audit director to keep his staff trained.

We are starting now, particularly for the smaller ministries, to second EDP auditors from the larger ministries to bring them in to do internal audit for us. I would like to stress that the big difference between internal audit and what Norman Scott and company are doing as external auditors is the internal auditor knows the players. We know the personalities and we know the programmers. Having been around the ministry for a while, we know the programs. So we feel we are in a better position to assess the needs of management than the provincial auditor would be. It is not that we are more skilled or have more expertise, but that we have just been there longer and we understand what is going on within the ministries much more clearly than an auditor coming in from outside.

Mr. Philip: Would you as a professional association--and I think I can use loosely the term an upgrading association--have done any surveys to find out how many EDP systems there are out there that have not been audited?

Mr. Littleford: No, sir, not how many systems have not been audited. Our surveys have all been on a basis of how many EDP auditors are there, what are their skills and what are the skills required for performing an EDP audit on a small, medium and large-size operation.

Mr. Philip: I think maybe some of the problems and concerns of Mr. Sargent and Mr. Cunningham are that we are shown a model that looks good on paper and that we can empathize with, but at the same time we have to accept it on faith. There are some ministries that simply do not have internal auditing programs. Can you tell us how many ministries?

Mr. Butler: I would draw your attention to what Allan Rae said, Mr. Philip. We are in the process right now of strengthening ministries wherever the need appears to come forth. I think we have done five or six ministries in the last three months, where we are adding management strength and cash dollars to upgrade the quality of the internal audit activity. There really is not any single ministry in the government where they do not either have or have access to internal auditing activities. Some of the very small ones share on occasion, but basically our attempt is to have some kind of internal audit presence in every single ministry of the government.

I would like to comment on the bigger question of EDP audit. I did not know your father was in the radio business. One of the biggest single challenges in industry today anywhere in the world is the fraud in EDP audits. It is a major source of crime. It is a major source of examination because of the dearth of people. It is an extremely difficult field in which to operate from an auditing point of view. I can assure you that from Mr. Scott's point of view, whether it be the Ontario government or anywhere else, it is a growing and more difficult area to audit.

Mr. Philip: It would be an interesting question to deal with in some depth in perhaps the Solicitor General's estimates. Maybe we could get your point of view along with that of the OPP and deal with that kind of thing.

Mr. Cousens: Could I have a supplementary just along that line? I appreciate what Mr. Littleford was saying with regard to the training of people for electronic data processing and to resolve concerns that are outlined. My background is as a data processor through the programming systems with a large computer manufacturer. Though you may be doing everything you can right now, I would sit back and ask yourself, are you really doing everything?

You have just reconfirmed the point I wanted to make. It is a fast-changing and highly technical world. In this government, the fact that we have not yet had a major fraud should be a real worry to all of us in that the options and openings are there, the doors are open. This is what was just said. The chance of it happening is so great. A large Canadian bank has just completed an external audit on its whole data processing system and found many holes and highly confidential situations, but it is the kind of thing that will not be confidential once something serious happens.

The fact that you are alerted to it just has to be something. You are not just saying it; you are following it. As you just said, Mr. Butler, you have been putting people on it in the last few months. Just do not slow up on that one because that would be the greatest embarrassment.

Mr. Philip: I think it is kind of ironic that in one ministry we have had three major scandals in 12 months and the minister's response, quite rightfully, I suppose, is that he is developing a series of computer checks and so forth. I will applaud that as kind of late security after so much money has been lost. I just hope that the next fraud is not one that is computer-related in that same ministry.

Mrs. Scrivener: I wonder if Mr. Scott could be asked to comment on electronic data processsing audits. I would like to hear his reaction because he is obviously working very closely and has the same problems, only a greater responsibility.

Mr. Scott: Mr. Chairman, if I may respond to that question, we currently have upgraded our EDP section. We have been very fortunate in acquiring from the private sector a person well versed in EDP auditing. The government now, through Management Board of Cabinet and the Ministry of Treasury and Economics, is in the process of acquiring a very good training course which will be conducted, hopefully, two or three times a year so that over a period of years all auditors, whether they are external or internal, will have access to EDP auditing training and techniques.

There is considerable activity there. We are currently doing an update, more or less an inventory as well as a look at the security, of all EDP installations in the government right at the present time.

Mrs. Scrivener: Would you say it is probably the hottest area you have right now?

Mr. Scott: It is an extremely difficult area because of the acquiring of the skills in that area. As Mr. Littleford has mentioned, someone who is versed in EDP operations can acquire a much higher salary as a programmer in private industry than the salary we can pay. But I would like to reiterate that we were fortunate in acquiring a director from the private sector who has had a great deal of experience and will be beneficial, not only to our office but to internal audit groups as well in the Ontario government.

Mr. Rae: I would like to add to what Mr. Cousens and Mr. Scott have said about EDP auditing. The training aspect has been stressed. The Civil Service Commission now provides an excellent course in EDP auditing and that will be strengthened. There are courses available from outside organizations as well.

Secondly, within the organization of the internal audit branches--this is taking place right at the present time and has been completed in some ministries--the structure is being changed so that EDP audit is being given a more prominent profile in the organization. Usually, there is a head of EDP audit who is charged with that responsibility. We are not averse at all to thinking in terms of growing our own EDP auditors in government, if I could put it that way, through our training courses and through on-the-job experience.

Mr. Philip: May I just carry on? Can you identify for us in which ministries there seem to be the most problems in getting them to put in adequate control systems in internal audit systems?

Mr. Rae: I think that the development of improved control systems is taking place in all ministries across the government. What we are witnessing today is building on a foundation we have had for many years.

Mr. Philip: Our impression as legislators is that certain ministries are less efficient than others. I am sure you know which ones these ministries are. I do not want to put you on the spot, but you are before this committee and we would like to know which of the ministries are presenting problems.

11:30 a.m.

Mr. Rae: With respect, I do not think I would put it in terms of having problems. I think all of the ministries are quite conscious of the need to develop the best possible control systems.

If you look at the incentive, then I think you are going to find it in the larger, more decentralized ministries, where there is obviously a greater, more urgent need for control systems, simply to find out what is going on out in the field. You will find that the larger, more decentralized ministries probably have the more advanced control systems. In the smaller ministries, which are very often devoted more to policy development, the need for control systems is not so obvious to the senior managers.

Mr. Philip: One example of those large decentralized ministries would be the Ministry of Municipal Affairs and Housing in the administration of Ontario Housing. I was chairman of the committee that inquired into Ontario Housing. We saw tremendous inefficiencies in purchasing, maintenance and in the general running of projects. Can you comment on that particular ministry, particularly on its audit system for the operations of the various housing authorities? Are there internal audits in each of the housing authorities?

Mr. Rae: I could not speak to the housing authorities. Certainly there is an internal audit branch in the Ministry of Municipal Affairs and Housing, and its mandate, as far as I know, extends throughout that ministry. But I could not comment on the particulars of any authority.

Mr. Philip: Would you be able to provide us with a written comment on that?

Mr. Butler: Without trying to be evasive, I can say that there is in the Ministry of Municipal Affairs and Housing a considerable amount of activity to strengthen its internal audit for all kinds of reasons. There are the recently formed audit committees, the report of the provincial auditor, for instance, on that ministry's activities, and there is a considerable amount of activity under way in that ministry to upgrade and increase the quality of the internal auditing staff.

I, for one, would find it difficult to comment on the adequacy of the current activity. I would not find it difficult, as I have just said, to indicate that there was a need to strengthen that whole series of activities, and that is under way. We are really quite close to that particular ministry and trying to help.

Mr. Philip: I can appreciate the position I am putting you in. I know you have clients and have to gain the confidence of those clients and managers, and that your snitching on them does not help you in that function, but I am sure you can appreciate my position as a legislator. I am concerned about the inefficiencies in the operation of certain ministries, and I am particularly concerned about some of the things that have gone on in the Ontario Housing Corporation which I think serves an important need in the community.

I would be the last one to privatize it, but I would like to see it operate more efficiently. I am asking if you can give us an evaluation of how effective the auditing system is in the housing authorities.

Mr. Rae: May I respond to that, Mr. Philip. Mr. Scott did an evaluation of each of the internal audit branches in the ministry as part of his report. I suggest that might be an avenue for you to explore.

Mr. Chairman: Perhaps we could ask Mr. Scott for our next meeting to provide us with a list of those that were a little weaker--to be charitable--than others. I would draw your

attention, Mr. Philip, to the auditor's report of last year, section 3.10, page 74, in which he deals with the lack of employee familiarity with the new computer system in the Ontario Housing Corporation. That particular matter is addressed there.

Mr. Philip: What we are dealing with now is the upgrading, and I am asking for an updated report on what is being done. I read last year's report even though I was not on the committee last year.

Mr. Chairman: Perhaps Mr. Scott can respond.

Mr. Scott: Mr. Chairman, I cannot give the explicit details you probably want, Mr. Philip, but certainly our latest audit on the Ontario Housing has indicated a vast improvement of this particular area in the computer field.

Mr. Philip: Maybe you and I can talk about it later and if I need additional information, then we can look into it as a committee. Have you--

Mr. Chairman: Mr. Philip, I have been more than generous with your time. I should like to go to someone else.

Mr. Cousens: I have just one question. Mr. Philip helped me out because some of his questions were of interest to me as well.

The real concern I have, as a businessman looking at government, is how efficient the whole civil service is. The whole question that an auditor should be asking is, are we getting value for our money? As one who receives the services of the whole bureaucracy that has been set up here, I think we have to continually ask ourselves this question--and I want to ask you just how much you are asking it--how cost-efficient are the different agencies, the manpower we have, and are they giving us value for the dollar?

Is the question that is continually being asked by our auditors, external and internal, "Are we getting that value that we should be getting for it?" I would also like you to tell me how effectively you are applying that philosophy to the data processing.

Mr. Rae: To data processing?

Mr. Cousens: The whole government.

Mr. Rae: The whole government?

Mr. Chairman: In 10 words or less.

Mr. Rae: If I can refer to the expanded mandate of the internal auditors, it is quite clearly spelled out that what they are to look at is all control systems in the ministry. That means they will be looking at the systems that management has for evaluating its efficiency. If those systems are not in place, if the information being provided through those systems is not reliable, that will be noted by the internal auditor.

Mr. Cousens: It seems to me it would be a worthwhile exercise for our committee, if we could possibly do it, to re-ask that question and have the auditor look at different parts of the government ministries, to say, "Are they really being cost-efficient?" There may be areas where recommendations could be made through public accounts that improved efficiency is required. Are you saying you are in the process of trying to do that?

Mr. Rae: We are very definitely in the process of having the internal audit groups evaluate those efficiency control systems.

Mr. Chairman: I think we have to appreciate, as I said before, that this is an evolutionary system. To some extent we do not even know what questions to ask in some cases and the personnel are not there to do this. I think the best we can do as a committee is to keep on asking the auditor to ensure that what we have heard today and in the recent past is being done.

It is pretty hard, I think, to expect these gentlemen to comment on whether we are getting value for money across the government. I do not think they would respond except to say, "Yes, we are." It is a very difficult operation because we have gone almost from nowhere to where we are today. Obviously, we are still looking for the resources to do the job.

Mr. Cousens: I appreciate your statement.

Mr. Chairman: I would like to ask a couple of questions. The reporting aspect concerns me. When I first heard about internal auditing six or seven years ago, it was obvious that people in government, particularly the deputy ministers, were not paying much attention to internal audit. In many cases the internal audit report did not find its way to the deputy minister's desk, and if it did, it did not seem to get much attention.

You have indicated that the line manager is the first to get a fairly detailed report. Then a sort of executive summary, which I presume is the term to use, goes to the deputy minister.

One of the things that bothers me, and Mr. Butler will cringe when I say it because he and Mr. Rae have heard me before, is the incentive or disincentive to bringing in the improvements to the system that are suggested by the internal audit or even by the provincial auditor. We can talk about systems and computers and everything else, but what it comes down to, basically, is the attitudinal change you referred to and the desire and competence of people to do a good job.

Is there any relation in what has been found in the internal audit as to the efficiency of systems that are designed and carried out by individuals or people and, let us say, to go back--you may cringe now, Mr. Butler--to performance appraisal, are these reports in fact being used also to monitor the efficiency or effectiveness, not only of the systems per se, but of the people who are designing, running and monitoring the systems?

Mr. Butler: The short answer is I hope so. The long answer is I rather doubt it.

In the whole appraisal process, which is now under such close scrutiny because of constraint and consolidation of things and the leadership by the policy people, I think there is a growing understanding that quite definitive objectives have to be set for all management. Where those things are being met, that is to the credit of the individual, and where there is a breakdown in that particular aspect, for instance, that is duly recognized in how he or she as an individual is rewarded. I think there is a need to do that frankly. It is not easy, by the way. It is extremely difficult in the government, in any government from my five years of homework, to introduce some sort of fair, consistent management performance appraisal system in which you could have great confidence.

The risk I have found in my own analysis of this is that you run the risk of creating just as much negative environment as you do positive because the adequacy of the measurement process and the lack of, to be quite corny, a bottom line of some kind, is extremely difficult to set out in the government.

Your overall question is one of intent and activity. In my judgement, there is not only a growing desire to measure individuals, their competence as managers, but also to become much more definitive on what are the things on which people should be measured and rewarded.

I think the answer to your question is that it is not happening to the degree it should, but the attitudinal change you speak about is very evident. There is no other way on earth, in my judgement, we could have had that two-day session that is just concluding this morning, where over 2,000 people have registered voluntarily to come to be exposed to the new, the different and the interesting, to attend seminar sessions for several hours each. I know you are aware of some of them. I personally participated, within my exhausting way, in four of them, and I was very impressed with the level of interest, desire to do a good job, and the general support we are having for the attitudinal change you speak of.

I believe it is here. I do not believe it is only for survival. I believe they are concerned about the activities of this committee, accountability generally, and the public interest, which is growing at every leap and bound. I think the question you raise is extremely pertinent to what we are trying to do. In the years ahead I think it is inevitable that unless we do recognize the individual and his or her contribution, we will not any more attract the right individuals. We have to do something to attract and hold and reward the people who are so important to the public service. It is a very complex environment in which to work. Therefore, you have to work in a much more carefully prescribed way to measure their competence and their contribution. It is not an easy place to work in the government.

Mr. Chairman: I appreciate that. I would like to throw one thing out, and I realize it is somewhat irrelevant in terms of what has gone by this morning, but it is of concern to this committee that over 70 per cent of the provincial budget goes out the door by way of transfer payments.

Mr. Butler: It is 67.5 per cent.

Mr. Chairman: Then 67.5 per cent as of this morning at 11.45.

Realizing the problems we have in personnel standards and so on, my only rhetorical question is whether Management Board is concerned about applying these standards out to the agencies, boards and commissions and those groups in society that are taking 67.5 per cent of the provincial budget, which do not really come under the direct control of Management Board or of the estimates committees or even of this committee for that matter.

Mr. Butler: May I say that is another particularly good question, and it worries us.

I do not know whether I disclose a confidence, Mr. Scott, with your permission. We have actually been having meetings with Mr. Scott and his staff on this exact issue. Before Christmas, there is a committee being struck, and we do not want to overdo the committee concept, but we want to learn the best way to reach in to all recipients of Ontario government funds and to start to evaluate the activities, the performance and the administration of their respective areas.

We are right on it. We figure we cannot do it without the provincial auditor, even though both Mr. Scott and I, who share some of these same challenges, have decided on this method of doing it. It will be a joint committee, made up of his representative and mine, and we are going to try to find the best way to reach into these literally hundreds, if not thousands, of recipients of government funding.

Again brought about by the policy decision taken by the government on constraint, I would say the need to examine much more carefully how that money is being invested on behalf of the taxpayer is very much part of the challenge for the next few years.

Mr. Philip: Do you see this as an extension into crown corporations, not just agencies?

Mr. Butler: That is something we have to discuss, Mr. Philip. As you know, there are about nine of what we call schedule 2 agencies. They are the ones like Hydro or the liquor board or those which operate virtually at arm's length from the government.

I think our first step is to be sure that within those corporations they have made the maximum effort to get the best return for the taxpayer. How we, in turn, audit against that is something Mr. Scott and I are looking at right now. We will divide the agencies, boards and commissions, and I might say they are

only 275 of the recipients. There is a whole arena of other people who get funding. How we do that, how we match, for instance, the performance of a hospital which receives much funding from us and the role of a board of governors of a hospital and where their responsibility start and stop, is a major concern we are looking at now.

I do not want to minimize the task, but we are very aware of the need to recommend to cabinet generally where action should be stepped up and where it needs to be accepted. We are right on that subject, and thank you for the question because, Mr. Scott, I do not think I have overstated it.

Mr. Philip: The hospitals might be one of the easier ones because they have at least modularized most of the functions. I believe the Etobicoke General Hospital has been one of the pioneers in this kind of evaluation, and if that were applied to other hospitals, we might find they would come up to the same level of efficiency that we are able to obtain at the Etobicoke General Hospital.

Mr. Cousens: Just to tail in on that, you could gain a scientific analysis of what the need is out there even by providing those funds at random and then determine where you want to go, just as a thought.

Mr. Chairman: Gentlemen, if there are no further questions, we are getting close to adjournment and we have some other items of business, Mr. Philip. How long will you take?

Mr. Philip: I have no idea. It depends on how good the answers are.

Mr. Cousens: Could I just say, Mr. Chairman, I know a number of the honourable members have other things happening at the hour of 12. If there are a number of questions outstanding and there is some business to complete, it may be advisable to reconvene with this group or something. I am suggesting to you that there could be a motion to adjourn at noon.

Mr. Philip: I just wanted to go into the process of Management Board and what it is doing specifically to implement internal auditing, and that is a pretty broad question.

Mr. Chairman: I think we have dealt with that to some extent. You have the two brochures, and this week Management Board put on a seminar, which Mr. Butler has referred to, and there is a package of material we all received. This matter may be not fully dealt with, but let us give them their due consideration.

Mr. Philip: It was great at stimulating an appetite, but it has not given me a full course. But I am willing to defer this and bring it up on another occasion.

Mr. Chairman: We can do one of two things. We can either request these gentlemen to come back, or if you would submit a list of your written questions, they could perhaps respond by letter--one or the other. We can discuss that.

We thank you very much, gentlemen. It has been most helpful and most forthcoming. We appreciate your attendance this morning.

I would like to adjourn at 12 o'clock. We have two items to discuss. We have discussed going to Ottawa to see how the Ottawa public accounts committee works, particularly their methods and procedures dealing with their subcommittee and with their briefings before the committee meets.

11:50 a.m.

If we are to go this fall, we pretty well have to go on Monday, November 16. We would go on Monday afternoon, meet with the Ottawa public accounts committee briefing people Monday night, sit in on their public accounts committee on Tuesday morning and hope to be back here somewhere around three or four or maybe even earlier Tuesday afternoon. Is it your wish to do that?

I think it would be helpful. Previous committees have found that it has given them a somewhat different perspective and maybe a little more objectivity.

Mr. Cousens: I have only one worry, Mr. Chairman, and Mrs. Scrivener was saying this earlier and I do not want to take the floor away from her. Her thought was it is too bad it is during the time our House is sitting because we are going to be sitting on Monday nights now, and we will be missing the Monday afternoon and Monday evening sessions and part of Tuesday afternoon, plus caucus.

Mr. Chairman: We would hope to be back for question period at two o'clock Tuesday, but we are not going to find another time that is any more amenable to everybody in any case.

Mrs. Scrivener: It could be done in our recess in January.

Mr. Chairman: We have no idea when the House of Commons is going back either.

Mr. Philip: Can we use the government jet?

Mr. Chairman: They do not do these briefings for every committee in any case. There is no other filibuster coming up that I am aware of. In fact, I would just as soon be in Ottawa anyway.

Mr. Cousens: We would be paired pretty well, so when we go we would not--

Mr. Chairman: Only those who wish to go need go; those who feel they have other obligations may wish to decline. Are we in favour then of going? We could be here for the question period Monday afternoon, I believe, because there are planes. I am sure some federal cabinet minister would like to send his plane down if we have problems. They seem to have lots of them.

We have another question in regard to this. Mr. Cousens has suggested that some of the interns would like to accompany us. I believe there are three members who have interns who have been coming to our meetings. We have two questions. One is, should they go, and the other, maybe more important, who is going to pay for it if they do? Did you wish that the interns should go? I suggest only those interns who are working with members who are members of this committee should go. Secondly, presumably the group that deals with the interns would have to pay for it because we do not have anything in our budget for it.

Mrs. Scrivener: What would it cost?

Mr. Chairman: I would imagine it would probably cost somewhere in the neighbourhood of \$250 each.

Mrs. Scrivener: I cannot see that that would be a fair expenditure. I cannot quite see how they could justify it.

Mr. Cousens: May I say, if we were to give approval that they could come, I do not think it is for us to make the financial arrangements. That could be done through other auspices under which they are being guided and supported. We at least have an open door to their being there, not to participate but to at least know what is going on. I think it could be a worthwhile project because I know that what the interns are doing is a worthy thing and I would be most supportive of their being able to attend.

Mrs. Scrivener: I agree if somebody else would pay.

Mr. Cousens: That is right. All we would do is give permission that they could be there and then somebody else could arrange the financial end of it.

Mr. Chairman: Is that agreeable then? We will ask our clerk to make the financial arrangements, and if the money is not forthcoming, I am afraid--

Mr. Cousens: They might make their own way.

Mr. Chairman: We do not have anything particular scheduled for next week, but I would like to suggest to you that we deal with the report of the Ministry of Health, the comparative analysis of testimony. I do not believe that will take too much, time but I think there are some questions outstanding in regard to health service organizations. Also I would like to spend some time next week dealing with the report of the Comprehensive Auditing Foundation in regard to auditors and public accounts people, and we will discuss that at that time. I would hope to have that report in by the end of November or early December.

Mrs. Scrivener: What report are you referring to in terms of the Ministry of Health?

Mr. Chairman: I believe this was circulated to everyone. It was a comparative analysis of testimony of Ministry of Health officials at the meetings of the standing committee on public

accounts, April 10, 1980, to June 4, 1981. I asked the research to deal with this matter because a number of members spoke to me and said they were not satisfied with the responses we had received and that there are some contradictions and anomalies in it. I would like to deal with those and see if you are of the opinion that it would be worth while writing to the Minister of Health to clear up those matters.

Mrs. Scrivener: Yes, I read this report. I find this report something similar to the one to which I took exception several weeks ago. It appears to me to have a number of inaccuracies and things which are subjective and so on. I do not know why we would spend our time discussing a report of this kind.

Mr. Chairman: Mrs. Scrivener, that is why I want to discuss it.

Mrs. Scrivener: We have had this particular subject on our agenda, what? four different times in a year and the St. Marys Clinic now is not even operative.

Mr. Chairman: But the point of the exercise is that if are going to allow people to come in here and give us information that is not correct, then the whole process really does not make much sense.

Mrs. Scrivener: We do not know that people have given us information which is not correct.

Mr. Chairman: That is why we have this and why you have Hansard.

Mrs. Scrivener: As I say, I read this report and this report also has the disclaimer I took exception to printed on it. I just do not think we can spend our time on things of this nature. I think we have more important things to do.

Mr. Chairman: What would you suggest, that we just allow--

Mrs. Scrivener: You have already raised two other items. I would have liked to have continued, frankly, with Management Board, but I did not express my opinion because we were anxious to meet the deadline and so forth. Really, I think there are some quite important things that have to be examined in this government. There is one, at least, coming up next week I am interested in and I would have been interested in having a further session with Management Board and about the whole control of EDP operations. I think that is something that was not adequately explored, and it is an Achilles heel in any corporation of our size.

Mr. Chairman: I certainly agree with the latter comment. I would not expect to spend a good deal of time on the Ministry of Health.

Mrs. Scrivener: I would have thought we would have had two sessions on such an important subject.

Mr. Chairman: We can ask those people to come back. It is the committee that decides what its agenda is. If that is the wish of the committee, there is certainly no problem with it.

Mrs. Scrivener: I just think this is a waste of time and I am not at all happy to have to go through more crying over St. Marys Clinic. That report, I thought, was really a very shabby piece of goods; I think that was not a well-written report at all.

Mr. Chairman: I beg to differ with you as strongly as I can. I think it was an excellent piece of work. The information is laid out there; whatever conclusions you wish to draw are fine. I had hoped, as a matter of fact, to deal this morning with the matter of research. Obviously, our time is up and most members of the committee have left, but we will deal with that next week as well.

Mrs. Scrivener: Instead of St. Marys Clinic, could you put the whole matter of research for the committee on your agenda?

Mr. Chairman: Yes, it will be. Is there anything further then this morning? The committee stands adjourned.

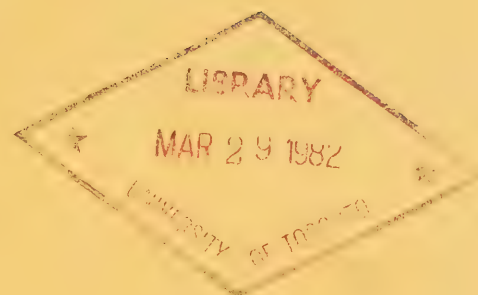
The committee adjourned at 12:02 p.m.

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STANDING COMMITTEE ON PUBLIC ACCOUNTS

LIBRARY RESEARCH

THURSDAY, NOVEMBER 19, 1981



STANDING COMMITTEE ON PUBLIC ACCOUNTS

CHAIRMAN: Reid, T. P. (Rainy River L-Lab.)
VICE-CHAIRMAN: Peterson, D. R. (London Centre L)
Cousens, D. (York Centre PC)
Cunningham, E. G. (Wentworth North L)
Foulds, J. F. (Port Arthur NDP)
Philip, E. T. (Etobicoke NDP)
Pollock, J. (Hastings-Peterborough PC)
Sargent, E. C. (Grey-Bruce L)
Scrivener, M. (St. David PC)
Taylor, J. A. (Prince Edward-Lennox PC)
Villeneuve, O. F. (Stormont, Dundas and Glengarry PC)
Yakabuski, P. J. (Renfrew South PC)

Substitutions:

Kolyn, A. (Lakeshore PC) for Mr. Yakabuski
Swart, M. L. (Welland-Thorold NDP) for Mr. Foulds

Also taking part:

Conway, S. G. (Renfrew North L)

Clerk: White, G.

Researcher: Vokes, M.

From the Legislative Library Research and Information Services:
Grayson, Dr. L., Chief, Legislative Research Service
Land, Dr. R. B., Director

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday, November 19, 1981

The committee met at 10:18 a.m. in room No. 151.

LIBRARY RESEARCH

Mr. Chairman: We will come to order. It is unfortunate that once again we have to begin so late. I would urge you again to try--I am speaking obviously to the converted--but there have been comments made about finishing by 12 noon. I would hope that means we will start at 10 a.m.

We have a number of items on the agenda this morning. I might bring to your attention that there are actually four items as usual. The fourth one will be any new business anyone has.

We are dealing, first of all, with the research of the library. This is a matter that has been raised by Mrs. Scrivener. We have with us this morning Mr. Brian Land, the director of the legislative library, and Dr. Linda Grayson, chief of the legislative research service. It is unfortunate that Mrs. Scrivener, who has raised this matter on two occasions, is not here, but we will proceed. I would ask Mr. Land and Dr. Grayson if they would like to join us here at the end of the table and perhaps give us an overview of the operations of the research.

Mr. Land: Good morning, Mr. Chairman and members of the committee. We are pleased to be here this morning to talk about the research services of the legislative library in general, but more particularly about the research service available to you as members of the standing committee on public accounts. We have prepared a short brief for your consideration. That will be presented by Linda Grayson.

We have also distributed a copy of our newsletter called Memo to Members. This issue has in it biographies of our research officers so that you may have a little bit of information about their background and particular areas of competence. The brief, as I have mentioned, is quite short. We have appended a number of items that explain in some detail our goals and objectives, our guidelines for operation, our hiring policies, practices and so on. With your permission, Mr. Chairman, I would ask Linda to present the brief.

Dr. Grayson: Thank you. The purpose of this brief is to acquaint the members of the standing committee on public accounts with the nature and extent of the services provided by the legislative research service, which is a section of the legislative library research and information services.

The legislative research service was established in 1979. The history leading up to its establishment has been thoroughly documented in the annual report of the director for both 1978-79 and 1979-80. A brief overview of that development is given in appendix A to this brief.

From its inception, the legislative research service has followed the successful example set by parliamentary research units in Ottawa, Westminster and Canberra. A summary of their mandates is also included in appendix C. It is worth noting that other modern legislatures have also recognized the need for research service, given the increasing complexity and number of issues that legislators must deal with on a daily basis. The legislature library of Alberta, for example, has recently hired a head for its new research service and will soon begin to recruit research officers.

Once the legislative research service was established, its goals and objectives were developed and widely publicized. In particular, your attention is directed to objectives six and seven relating to the nonpartisan nature of the service and its availability to all members. The legislative research service has only one allegiance, namely, to the Legislative Assembly.

10:20 a.m.

Incorporation of the research service within the legislative library, with its longstanding tradition of impartiality, ensures our independence from political or pressure group influences. The research service provides research on request for members, both individually and collectively through committees and legislative delegations. Our role and the role of legislative research units elsewhere is to provide objective and impartial analyses.

Like our parliamentary colleagues in other jurisdictions, we are nonpartisan inasmuch as our service is available on an equal basis to each and every member of the House. Although the research officer must be free to give the member the benefit of his personal views, these views must be based on professional judgement and not on political or personal inclinations. Appendix H in this report provides some definitions of nonpartisan research.

Shortly after its inception in 1979, the legislative research service was asked to provide a research officer to assist the standing committee on public accounts on a continuing basis. On behalf of the committee and at the request of the chairman, the research officer has routinely provided a variety of assistance, including collecting and organizing submissions in a readily usable form for members of the committee, preparation of briefing papers, identification and clarification of central issues before the committee, suggestions for possible lines of questioning, summarizing of testimony, and assistance in drafting the committee's report to the House.

The standing committee on public accounts was the first committee to request the services of a research officer. Since that time, however, our research officers have served a number of standing and select committees at the request of the respective chairmen.

The research provided by the legislative research service is as objective and as impartial as possible. This does not mean, however, that the research service should or does avoid difficult and controversial issues. If research is to serve members and committees effectively, our research officers must be prepared to assist them, as do our counterparts in the research branch of the library of Parliament, in developing their positions, provided that each paper prepared is factually accurate.

We do not recommend a course of action. That is, and must always be, the prerogative of the elected member. We do, however, assess the strengths and weaknesses of various arguments and options and make professional judgements based on available evidence, evidence that includes the work of experts in the field, legal precedents or whatever other documentation is required to respond satisfactorily to the request.

Once a paper is completed, the member is free to make whatever use of the material he or she deems fit. If he wishes to make it serve his political purposes, that is his prerogative. As is the case with our colleagues in Ottawa, we do not write speeches. However, our work may well provide the basis for a speech, and there is nothing to prevent a member, if he chooses, from quoting directly from a study he receives from us.

Philip Laundy, a noted parliamentary authority, the current director of the research branch of the Library of Parliament and author of a recent and widely acclaimed book on parliamentary librarianship in the English-speaking world, maintains that a parliamentary research service is designed to provide every member with a counterbalance to the expertise available to ministers through their departments. Moreover, according to Laundy, "To be objective does not necessarily mean to be noncritical, and to be nonpartisan does not perforce imply the researching of controversial issues must be avoided at all costs."

We have found through experience that the members who use our service do so because they are seeking information that will assist them in pursuing a serious interest, developing a reasoned argument or in better understanding a complex problem or issue. Members who use the legislative research service have come to understand that each request is regarded as confidential, that each request is handled in turn, that each request is treated equally and that every effort is made to ensure that the project meets the special requirements of the member, including the deadline.

To ensure that members are well served--and we do the very best we can, given a small full-time staff of seven research officers--we have developed internal policy guidelines which are included in appendix D for your information. As indicated, we also take great pains to ensure that the officers we hire are professionals by virtue of their education, their previous work experience and temperament. Our hiring procedures are outlined in appendix E.

The research officers are also subject specialists with graduate training who have demonstrated ability to communicate effectively in both verbal and written form. We are confident that our staff have demonstrated versatility in their research ability, that they have the stamina and the commitment essential to function in the demanding environment of the Legislative Assembly, and that they not only understand but have demonstrated their impartiality.

Given our mandate to serve members in their individual and collective capacity, we are constantly alert to the opportunity of improving our effectiveness. In this respect we confer with our colleagues in Ottawa and try to keep up with developments in other jurisdictions. The use of the editorial disclaimer, for example, is based on a standard procedure developed by the research branch of the parliamentary library in Ottawa.

The disclaimer, which appears on the cover of all our projects, along with the name of the research officer who prepared and is responsible for the report, is intended to indicate clearly that each paper (a) is prepared in response to a request from an individual member or a committee through its chairman; (b) is designed in accordance with the specific requirements of the requester; and (c) is based on the expertise and professional judgement of the research officer whose name appears on the cover and does not represent that person's personal opinion or the opinion of the legislative research service.

Our research service statistics for the seven-month period from April 1, 1981, to October 31, 1981, appear in appendix F. The statistics indicate a significant increase in use over the last year, which suggests that we are gaining the confidence of more and more members of the House. At the same time, these statistics are a real tribute to the research officers and the reference librarians who are called upon, almost as a matter of course, to work evenings and even weekends to ensure that the best and most complete report possible is prepared within the time frame given by the member.

In concluding, we want to say that we are pleased with the positive reaction we have received to date about our work with committees. Committee reactions are included in appendix I, for those of you who are interested. We would like to emphasize that the legislative research service will continue to make every effort to maintain the confidence and respect of those members who use our service on a regular basis and to earn the confidence and respect of those who are not yet personally familiar with our work. As professionals we will continue to exercise our mandate to serve members and committees of the Legislative Assembly as effectively, as energetically and as conscientiously as we know how.

Mr. Chairman: Thank you very much, doctor. Does anyone have any questions for either Dr. Grayson or Mr. Land?

Mr. Pollock: Dr. Grayson, you said that quite a few people avail themselves of the service, more this year than last year. How many last year and how many this year availed themselves of this service?

Dr. Grayson: If you would turn to appendix F, you will see that last year between April 1 and October 31, there were 73 requests; this year there have been 244.

Mr. Philip: I wonder if you would have any breakdown by political party. There are obviously more government members than there are members of the other two parties combined, and I wonder, since I suppose it is important that Conservative back-benchers also have access to the service, do you have any breakdown?

10:30 a.m.

Dr. Grayson: We do not normally keep statistics by party, but in anticipation that this question might be asked I reconstructed those figures. For individual member projects only, the breakdown is Liberal 29, NDP 53 and Progressive Conservative 32, for a total of 114. In addition, we have print issue papers which are requested. The breakdown for that by party is 30 Liberal, 19 NDP and 57 Progressive Conservative.

Mr. Philip: The conclusion we might come to from those figures would be that you are serving all parties in an equal way and all three parties are making use of your service?

Dr. Grayson: Yes, I would think that is a reasonable conclusion.

Mr. Sargent: Mr. Chairman, in the motion I have here I would like to suggest that Mrs. Scrivener should be censured for trying to stonewall the committee. She is saying, in effect, that she does not agree with the auditor's report. I do not think this committee can be at all meaningful if one member can block procedures by asking for a report. She could ask us to submit the Holy Bible before the committee and stall things for a year if she wanted to by using this procedure here today. She brought in a motion at the end of the last meeting that she wants a full report on the activities of this committee.

Mr. Philip: And then does not come.

Mr. Sargent: And then does not come. She is taking the role of a professional bitcher, as far as I am concerned. She is implying that they are not impartial, that they are partisan. I think that is totally wrong, so I have a motion that this committee has complete confidence in the library research and specifically in Margaret Vokes.

Mr. Cousens: I second that.

Mr. Chairman: Mr. Sargent moves that this committee has complete confidence in the library research team and specifically supports Margaret Vokes.

Mr. Peterson: I fully support Mr. Sargent's motion. Let me just say I was in Washington a couple of years ago and saw the Congressional Library function and was very impressed with it. At that point we were not functioning quite on that level. Today we are. There has been tremendous progress in the library's function and services over the last couple of years and I think Dr. Land and his group deserve a tremendous amount of credit.

I want to tell you, Mr. Chairman, that I am quite dazzled with the quality of the work they are doing and with the quality of the researchers. I had the opportunity to sit on a pension committee with one of their researchers, Richard Jennings, functioning, in my opinion, in the way they should be functioning. He virtually wrote the report, made himself an expert in the pension field, has done absolutely first-class work and saved the government and the taxpayer a bagfull of money in the process, rather than hiring independent consultants.

Of course, the work that Margaret has done, and Martha before her, substantially upgraded the quality of the discussion here. I know you would agree with that, Mr. Chairman. Of course, I have felt that the chairman has done a tremendous job of upgrading this public accounts committee over the last few years and it is considered by our peers in other provinces, in other jurisdictions, as the best public accounts committee in Canada today. Norman Scott would agree with that because he knows all the other auditors general and they discuss these things at conferences. In a large measure that has been due to the first-rate research assistance we get.

Margaret Scrivener I frankly do not understand at the best of times, and at her worst she is terrible. It should never have come that this committee would ever in any way try to put these people on the defensive, which fortunately they have not felt they were, or in any way impugn their integrity or their credibility because they are first-rate people doing a first-rate job. I am disappointed if we have caused any consternation to the members of the staff of the library. I say God bless them, let them carry on; and Margaret Scrivener, wherever she is, I hope does not ever come back to this committee.

Mr. Cousens: Mr. Chairman, I was able to second the motion because it did not include the preface that Eddie attached, which was talking of the censure of one of our members. I think his motion is saying we have a research facility that is doing a good job and it is helping us do our job.

Mr. Sargent: That was a preamble.

Mr. Cousens: I just want to comment on that. A few weeks ago I was able to say, having gone through it with a fine-tooth comb, that Margaret Vokes had done an excellent job preparing data to assist us with our job. The previous week, Margaret Scrivener, in her own wisdom, was able to find some reason why she did not like it. That is everyone's privilege. There will be times when Eddie or David or anyone of us can come back and find fault with the report. In so doing, I hope that we can always do it with objectivity so that it does not come to the person himself. I am sure that Margaret's intention was not to be a personal attack on the other Margaret, although I think it is so easy when you are so closely attached with the work you are trying to do to say, "Gosh, it is me who is under attack." I trust that would not be the case from Margaret, nor from any honourable member.

Eddie's motion is a good motion, and I can take pleasure in seconding it, because I have appreciated the support from the library services and the research group. As David just said, in the pension committee we have had some excellent support there and we could not have done our work without the work we had there. The one thing we want to keep out of, because Margaret is not here to defend herself, is I do not want to see us put one of our members under attack. That is the privilege of a democratic system, for each person to have a point of view. It might not be that of others, but we have to respect it, and she has offered it.

Mr. Philip: One of the ways in which I have had some personal experience with the library was in the justice committee where we did have some research staff assigned to us. I must say that all members of that committee found the work which was turned out was of a superior quality and that the members--in that case, I believe it was Merike Madisso and Gerry Richmond--worked overtime and on weekends and were here early in the morning sometimes. I know that I had some early morning meetings with them. They turned out just a super job.

As government becomes more and more complicated, and as each of us, even as MPPs, become more specialists in many ways, it is important that we have an ongoing research staff who have an expertise and who are there for a period of time. Consultants are not; consultants come and go. With the very high fees consultants charge, I often wonder whether better use could be made of our research staff who have some knowledge, not only of the particular subject which may be under investigation, but also of the peculiar workings of parliament. That is something which does not come from an outside consultant.

As one of the people who uses the library research facilities probably as much as anyone in my caucus, if not more, I have found that the material is nonpartisan, that it is of a high quality, and that I use it constantly. I do not know where I would be as opposition member, not having the government public service at my disposal in the way in which a minister has. I do not know how I would do my job properly without this research facility.

Part of the democratic process is the access to information. It is fine to elect an opposition and government back-benchers, but if you do not give each of us the tools to work with, then the whole democratic system does not make any sense. I am very heartened by the comments of Mr. Cousens, who has always appeared to me to be a reasonable person and a person of integrity, because I think I see things the same way that he does on this issue.

I wish they had more money and more staff. I know that at certain times of the year they are so overworked. I will not amend it because when you get something you know is going to pass, you take it. If I were to amend it, I would say that the committee should perhaps voice the view that they should be provided with even more financial resources to do even more of the good work they are doing.

10:40 a.m.

Mr. Kolyn: Mr. Chairman, Margaret Scrivener objected basically, if I remember rightly, to the disclaimer in the front, which is her right if she wants to object to it. She also said she thought that we should be given the facts and we could sort out what it should be like. I have no objections to being given the facts. We are all adults and we can separate the wheat from the chaff. It is rightly so. I have nothing personal against the research staffer. I think she has done a good job, but we all know that there can be errors made by researchers, or we can have different interpretations of what the research is. In defence of Margaret, she has a perfect right. She is a very independent person, like most of the people on this committee whom I see as I look around. I do not know of any other committee in the House that has as many independent-minded people as we have on this committee.

Interjection: We have got Eddie.

Mr. Conway: I am not a member of this committee, but I did look at the agenda today, and I did want to comment and listen to members of the committee speak about a subject in which I have considerable personal interest. I do not profess for a moment to understand exactly how and why the member for St. David (Mrs. Scrivener) brought forward her concern, though I would share with other members here a regret that she was not able or willing to come forward on the appointed day to explore with the people involved the exact nature of her difficulty or of her concern. I am not going to speak to the specific matter of this committee and its involvement with a researcher from the legislative library research and information branch.

I do want, however, to say a few things quickly about that particular section of our operation here, and some of this has already been said. Like the member for London Centre (Mr. Peterson) and others here, I have had the experience of working on the select committee with the relatively new research unit in the library. I think specifically of the constitutional reform committee. If I am not mistaken, some of my good friends in the government caucus, at that time, were instrumental in suggesting and convincing the rest of us that this was the way to go. I remember well the member for Armourdale (Mr. McCracken) speaking to the point. Certainly the experience that we had on that committee justified entirely his earlier point of view.

I agree wholeheartedly with the member for London Centre in so far as the quality of the input which we receive from the group we had from the research and information branch of the legislative library. As well, the cost effectiveness was not lost on those of us who had worked on previous select committees where we saw substantial payouts to one-time consulting contracts that did not seem to have the continuity we have been able to afford with this particular research branch.

There are some issues, and there is one basic issue that this entire matter speaks to, and it is one that continues to trouble this Legislature in the early months of the thirty-second Legislature. That is the independence of the Legislative Assembly

as a deliberative, parliamentary body. I appreciate entirely the comments of the member for Lakeshore (Mr. Kolyn), and I rather agree with him that this is a room of rather independent spirits. I consider myself one of them. Coining the phrase often used by my colleague from Grey-Bruce, I speak now only as a private member.

There are some observations on the subject that I would like to make in respect to this particular matter in this particular debate. If I recall correctly, with respect to the Camp commission in its deliberations of the early 1970s, when it looked at what had developed here in terms of the role of the individual private member, the conclusions were pretty negative and downright dismal in many respects. One of the recommendations that came forward from that examination was the proposal that we acted on some years later which brought about the creation of the legislative library in its expanded research and information branch.

I have had the experience of ordering a couple of papers that I thought were difficult in terms of what I was asking for. The material that came back was outstanding in its qualitative nature and quite remarkably antiseptic, I thought, in terms of its opinion. I certainly marvelled at the way in which the research officer set out the various points of view without taking, in my view, any side at all. I have had that personal experience and have not found, on the occasions when I have been provided with information, that there has been any partisanship of any discernible kind.

I personally believe, Mr. Chairman--and in this I disagree with the member for London Centre--there is reason to be concerned about the overall picture here. It is my view, based on a number of encounters in the recent months, that a certain number of people, unfortunately some of them well placed within the government, have made up their minds that they are going to rein in the legislative research branch, which they perceive to be partisan because it appears not to serve the government interest.

Mr. Cousens: A point of order, Mr. Chairman. I would like it if the remarks were specific rather than generalized statements. We have mentioned Margaret, with her point, and we know how it became--but do not make generalities.

Mr. Conway: It is my understanding that at a recent Board of Internal Economy meeting, when the matter of a library item was brought forward for a vote or for an adjudication, the government House leader indicated to the Speaker, acting as chairman, that the matter would not proceed until the "Scrivener inquiry into the legislative library" had been concluded.

It has been privately stated, and many people in the building are quite aware of the fact that-- I want to say that I am not accusing any of the government members here present. I found particularly helpful and sensitive the intervention of the member for York Centre (Mr. Cousens). I want to say that in all candour. But I feel very badly and I feel very deeply that we have lost a couple of major battles. I think we have, as a Legislature, surrendered the Speakership, and I do not believe that the current Speaker is in a position any longer to speak effectively to the independence of the very important function he has to discharge.

I have stated at the very outset of this session--these are my views and I am here to speak to what--

Mr. Cousens: (Inaudible) they are to the discussion at hand, and what we are trying to do with the committee. We appreciate the fact that you are visiting today.

Mr. Cunningham: He is entitled to be here.

Mr. Cousens: I know he is. Everyone is entitled to be here.

Mr. Conway: This is a matter that I consider of grave importance to me as a private member. I spoke at the very outset of this session about my deep personal concern about the fate of the First Clerk Assistant, and I feel as passionately about that subject now as I did then.

When I hear stories around this building about how it is that certain people are determined to rein in the legislative research service, I want to assure some members who may not be aware of this, that there is a pall of intimidation hanging over some people in that particular unit. They do feel an anxiety. They do feel an intimidation and, quite frankly, when one looks at what happened to the First Clerk Assistant and his ultimate fate, I think their concern is justified.

I just want to say that the issue here for me, speaking only as a private member, is the fundamental principle of the independence of this Legislature.

Interjection: Hear, hear.

Mr. Conway: I want to say to you, Mr. Chairman, that I applaud this committee for its trilateral support of the Sargent resolution, which has as its principle a reaffirmation that we, as a Legislature, are pleased and happy with the developments of this most important support service without which private members in their independent role are almost in a hopeless position.

10:50 a.m.

I can well appreciate how for a vast majority--

Mr. J. A. Taylor: On a point of order, Mr. Chairman, I think we were discussing an interjection in the form of a point of order and I sense that my friend, Mr. Conway, is proceeding with his initial comments in regard to the item at issue. I think the point of order was on a seeming accusation directed at the Conservative members or party, that they were intimidating and reining in the legitimate activities of the library service.

I think that was the point of order as I sensed it. That is a pretty serious accusation. We have the library service here and I would like, on that point of order, to see whether they feel intimidated. I would hope that this government would not do that and that certainly the members--and I am speaking now only for myself--but I would hate to see anything that in any remote way

could be interpreted as a reign of terror or a posture of intimidation on the library service when I certainly acknowledge that it is fundamentally vital to be independent in the library.

Mr. Philip: Talking to the point of order, since the concern seems to be over the word "intimidate," it was not so many months ago, right after the election, that I was suddenly made aware that the library services--the people that we consult with on a daily basis as MPPs in order to get our work done, the researchers--were going to be transferred over to the Hydro building.

Now I found that very intimidating to me as an MPP trying to get my job done, and I am sure that that was a form of intimidation against the library. In other words, put the researchers over in a building that is half a mile away from the MPPs so that they do not have access to it and so that they cannot get their job done in the kind of close, personal way in which research for practical legislative purposes has to be done.

Mr. J. A. Taylor: You see a boogie man everywhere.

Mr. Philip: It was only after our House leader went in and raised bloody hell that the government backed off on that. That was a form of intimidation.

Mr. Chairman: These are not points of order; they are points of view. Mr. Conway.

Mr. Conway: To wrap this up, I find it amusing and privately endlessly paradoxical on at least two counts that the member for Prince Edward-Lennox should have said what he said. Knowing of his public statements about the power of intimidation, to which he ultimately succumbed in his ministerial role and about which he made great speeches two years ago, it is amusing to me--paradoxical, perhaps more appropriately--that he should have said what he said. There are other things that come to mind.

Mr. J. A. Taylor: Do not use innuendo. Speak out if you have something to say, whether it is about me or my comments.

Mr. Conway: I want to simply say, Mr. Chairman, that I think this is an important, positive, useful, nonpartisan and hopefully expanding part of this operation. I think the evidence of its use is clear. I would share with other members the hope that it is expanded. I think that it will make the role of the independent legislator here begin to take effect for those people who see that as a role to be discharged.

I just want to say that for anyone in this place who feels the public or private need or desire to rein in the research and information branch, they do so at their own peril, because quite frankly the spreading cancer we have seen since the return of majority government in so far as the undermining of the independence of the Legislature is concerned must be arrested on this issue. I think that the House and the committee have got to stand fast and firm.

Mr. Kolyn: I do not believe that the legislative library has been undermined and, in case of point, I was not in the House when the leader of the third party made his speech on Suncor the first time. I happened to read the transcript and I was very interested in the 10-K report, or whatever it was. The 10-K report is a prospectus that comes out of Washington.

What I did is I went to the legislative library research and asked them if I could get as much information on Suncor as I could and I particularly asked them about this 10-K. Now they went to a lot of trouble and probably to a lot of expense to get that. I had it for a day and I had a chance to read it, 278 pages of it. If you are saying that we are suppressing the library from getting information if they can get it, I think you are wrong.

Mr. Chairman: Mr. Philip, you were next. I have Mr. Swart and then Mr. Cousens.

Mr. Swart: I want to get into this debate very briefly as one of those persons who has used the library service rather extensively and have heard from various sources that there is the probability--or perhaps the likelihood would be a better word--that those library services will not perhaps be as freely available or as available in such volume as they have been in the past. I do not know whether those rumours are true or not. I have not sat on this committee when the statements were made.

Certainly I have some concern about it and there has been enough smoke around that it seems to me there may be a little bit of fire in this. I know that when Mr. Taylor talks about intimidation, well, I am not saying for a minute that there is overt intimidation of these people. There are other kinds of ways you can do it subtly--cut back on the funding, move them someplace else so they are not quite so convenient. There are a variety of ways this can be done and may be done.

I say if it is done, if there is any intent to do it, it is deplorable, Mr. Chairman. I think the library service that we have is a service of which we can be immensely proud.

Interjections: Hear, hear.

Mr. Swart: I tell you the reports I have got from the library services could not be surpassed. We simply cannot do without those. The services should be extended simply because of the quality of those services and the independence of those services. Like my colleague Mr. Philip, and I think all of the members of the opposition, I will fight tooth and nail to see that there is no inhibition on the services which are going to be provided by the library to the individual members.

Mr. Cousens: I am going to join Mel and everyone else fighting tooth and nail to maintain the freedom and the integrity of the legislative library and research information services. It is great. It is good to get it out so that for anyone that has got some ghosts, as Jim suggests, let us put them away and get on with business.

Mr. J. A. Taylor: Put them on the table. Expose them.

Interjections.

Mr. Cousens: May I say, here is our chance. We have here with us Brian Land, the director, and I think it would be a great chance for him to respond to some of the concerns. I do not want to call them accusations because I do not think-- If there is, he has got the support of an awful lot of people. If there are some forms of intimidation--if being moved over to the Hydro building, where you have better power or more room, tell us, because in public accounts we do not want to put you into any kind of position.

Mrs. Scrivener: Mr. Chairman, I just have several questions I want to ask Dr. Land because I do not find the information in this material which he presented to us.

Dr. Land, would you please tell us what is your present staffing complement for the legislative research services and information services?

Mr. Land: The complement at the present time is seven research officers on the regular staff, plus one contract research officer, and there are four support positions, that is, secretarial positions, for a total of 12.

Mrs. Scrivener: Is that including yourself?

Mr. Land: This is the research service, headed by Dr. Grayson.

Mrs. Scrivener: But not the information services?

Mr. Land: The library?

Mrs. Scrivener: Yes.

11 a.m.

Mr. Land: The library, which encompasses the library service proper, the press clipping service, the check list and the catalogue service and the research service, has a total of, I believe, 67 full-time regular staff.

Mrs. Scrivener: So you have nearly a total staff complement in your section of about 80 people.

Mr. Land: Sixty-seven. That includes the 12 positions in the research service, one of which is contract.

Mrs. Scrivener: Could you tell me, please, what is your present budget? I think it has just been recently set, has it not?

Mr. Land: The research budget?

Mrs. Scrivener: The overall budget, and then I would like to know what the research budget is.

Mr. Land: I could give you the total for the research service. The total is \$335,600. The total for the legislative library, including all of the sections, which also includes the research service, is \$2,353,100.

Mrs. Scrivener: How do these figures compare with previous years such as last year or the year before?

Mr. Land: Last year the total was \$1,705,100. About \$375,000 of the increase is accounted for by the main computer. It is a capital cost.

Mrs. Scrivener: That should be of great assistance.

Mr. Land: Yes. This is being installed currently at Bloor Street. I mentioned we are in three buildings, the north wing, 180 Bloor Street beside the Park Plaza Hotel, and at LuCliff Place at Gerrard and Bay where the press clipping service which we administer is located.

Mrs. Scrivener: So you really have far exceeded the space available in this building.

Mr. Land: Yes.

Mrs. Scrivener: You really have in one year increased by nearly half a million dollars.

Mr. Land: That is right.

Mrs. Scrivener: But that computer is worth many bodies to you in the work it can accomplish?

Mr. Land: Yes, it is.

Mrs. Scrivener: Are you going to have to hire an on-line specialist?

Mr. Land: Yes, we have those.

Mrs. Scrivener: Have you already acquired them?

Mr. Land: We have certain members already on our staff, and we will be hiring a systems librarian whose chief responsibility will be with the computer.

Mrs. Scrivener: So your staff is going to increase again then?

Mr. Land: This is in the current budget.

Mrs. Scrivener: Thank you.

Mr. Philip: I have a couple of questions. There was a time when there was talking of moving you over to the Hydro building. Can you give us an account of that situation as you recall it?

Mr. Land: Yes. Following the election in March, our research unit was at that time located on the fourth floor of the north wing, along with our technical services section which does the cataloguing and classification. We were asked by the Speaker to vacate that space since it was needed for members' offices.

Through the co-operation of the NDP caucus, we put our technical services in the basement in the NDP caucus room until we could get the space, which did eventually become available on Bloor Street. We moved our technical services to Bloor Street in September.

The research unit was to have moved to the old Hydro building, 620 University, on the fifteenth floor. First of all, I strenuously objected to the Speaker, who is my superior officer and the person to whom I report, that in my opinion, to remove the research officers from the legislative building would be effectively to kill the service because much of our trade, so to speak, is drop-in.

Members find it extremely convenient to drop in as their needs occur, to stop a research officer, or Dr. Grayson, and say, "Would you find me such-and-so and I will get back to you on it?" Just as our reference librarians really have to be in the building to serve our users, I felt that for our research officers it was essential that they be where the members are.

After some consideration, the space on the first floor of the north wing that had previously been occupied by administrative services, which had moved to the sixteenth floor of the old Hydro building, became available. At the present time, the research service has its offices on the first floor of the north wing. That location, from our standpoint, seems to be excellent. It is on the main corridor between Wellesley Street and the main building, so we get a lot of members who find it very handy. While we had no option in the matter, I think it has proved to be a very good site.

Mrs. Scrivener: In the north wing?

Mr. Land: In the north wing, yes.

Mr. Philip: I think maybe I have missed something in your answer, Mr. Land. Can you trace back for us whose idea it was in the first place that you move over to the Hydro building? You have developed a whole series of--

Mr. Land: I am sorry, I can assure you the idea was not ours.

Mr. Philip: I would think not.

Mr. Land: Obviously, we did not want to go. I think it was not the Speaker. I guess it became a case that there was not adequate space in the building and that members, and I certainly agree, should have and did have the first priority. As Mr. Philip would know, because he was one of the members on the fourth floor, we were extremely cramped. We had four researchers in an office

roughly eight by 10, and to try to carry on confidential work under those circumstances was very unsatisfactory, not only for our staff but for members. They really are not, as you will appreciate, particularly anxious to discuss their requests in a room with four staff.

I can only say that my instructions to move came from Mr. Speaker Stokes, and that the initial space that appeared to be available over in the Hydro building to me was unsatisfactory, simply because it was out of the building where the members needed to be served.

Mr. Philip: Mr. Stokes was obviously advised by somebody that this had to be done. Who so advised him?

Mr. Land: I really cannot respond to that; I do not know. It was as a result of a number of shifts in the building. I can say that he was most sympathetic to our position and did everything he could. In fact, he was able to locate us on the first floor of the north wing.

Mr. Philip: You have a number of staff who are, I believe, working overtime, and that is part perhaps of being a professional, but do you feel that you have adequate staff at the moment to fulfil the great number of requests you are getting?

Mr. Land: Perhaps I should refer that one to Dr. Grayson.

Dr. Grayson: At this point, we have reached just about the maximum amount that we can handle without jeopardizing the quality of the work we produce for members.

11:10 p.m.

Mr. Philip: If you were to receive, as might well be the case during the holiday months when committees are sitting, a request that one or two more officers be assigned to a committee, you would be at a breaking point. There is no margin there for it?

Dr. Grayson: I guess what I am really trying to say is that we will try to handle every single request that comes up. We can do that in the short term because it is possible; people are willing to work overtime, work weekends and so on to respond. But we could not do that on a long-term basis. In other words, we could not do that for another year because not only is the volume of our work increasing, but the complexity of the questions that members are directing our way has also increased.

Mr. Land: Could I add a footnote? I think Dr. Grayson is really being modest. I really think these people have worked extraordinarily hard. They have been shuffled and moved through no fault of their own. They have met deadlines. We have tried to do what we could with the resources available.

My observation would be, honestly, that we are understaffed, given the amount of work that has come our way. I should point out and underline that we work only in response to requests. In other

words, we are not occupying ourselves with our own concerns. These are the concerns of the members; these are the concerns of the committees. We are not engaged in busy work simply to justify our existence. You are the people who determine our work load.

Mr. Chairman: Lady and gentlemen, we are not really the committee to be dealing with budgets and staff of the library. I do not want to cut anybody off, but we have a motion before us. The motion is that this committee has complete confidence in the research service of the legislative library and, in particular, the committee research officer Margaret Vokes.

Mr. Cousens: Mr. Chairman, could we have a response? There has been a suggestion of a process of intimidation and so on. I do not hear you coming out as being intimidated and I want to clear it up because the innuendo is something I do not want to leave with this meeting. I do not think you or Dr. Grayson are persons to feel intimidated, but I would like you to respond to that--if you do not feel intimidated by that question.

Mr. Land: I am pretty tough to intimidate, but I do think it fair to say that there have been a number of times when we research officers have been anxious as to our future, as to whether or not we were considered truly to be nonpartisan and serving the Legislative Assembly. I do not think there is any doubt in the world that we welcome this opportunity to meet with you to clear the air. We are not perfect. We do what we can and we make mistakes, but we rely on members to draw them to our attention as soon as they are discovered, and we rely on your support. If we do not have the confidence of this committee, our officer could not serve the committee and I would not want to put her in that position.

Mr. Philip: Would it be fair to say that certain ministers do intimidate you, that certain of your researchers would be reluctant on the request of an MPP to call a certain minister's office to ask for information that might be "sensitive," whereas they would feel more free to call another minister's office? Do you have any policy on that relating to the researchers? Are they free to call any minister at any time?

Mr. Land: I will perhaps ask Dr. Grayson. I am certainly not aware of any policy that we call some and not others. I think we draw our information from all the resources we can both inside and outside the government. I do not know whether Dr. Grayson would like to add anything to that.

Dr. Grayson: I suppose the point I could add to that is that most of the location of documents is handled by the reference librarians. The research officers on their own rarely call for that kind of information.

Mr. Philip: I guess my concern is that sometimes it is a lot faster to call a minister, and the minister should accept the fact that legislative library researchers work for the opposition as well as for the government and, therefore, there should be nothing wrong with calling on behalf of a member.

I am not complaining about the people in the library who do the kind of gathering and so forth, but often a member wants something in a hurry and the fastest way is to call the minister's office and ask, "Is this or is this not true? Is there such a policy statement, and if so, where do we get it?" I am wondering whether or not there are not certain ministries or times when your researchers may feel intimidated to call certain ministers?

Dr. Grayson: In a question like that we are put in a very difficult position because we guarantee each member who makes a request that it will be kept completely confidential. We would never call anyone, even another library and say, "I am calling on behalf of member X." That would be a basic breach of our own internal guidelines.

Mr. Philip: But it is fairly obvious that if you called Claude Bennett and asked for something on Ontario Housing--

Mr. Chairman: Mr. Philip, I think we are really straying. Mr. Swart, then Mrs. Scrivener. Please make it brief.

Mr. Swart: Some of your comments have raised another question, Mr. Land. I understand that one part, the technical services, has been already moved out to Bloor Street. I guess my question is rather simple but it seems rather important. Does this not adversely affect the total operation? Do they have to come down to use the library? Is it really possible to have the most effective organization if your branches are not all in one location? When I look at the documents in that library, how can anybody work away from here and not have ready access to those documents?

Mr. Land: The answer is, yes, it is an inconvenience, but I recognize that there is a limit to who can be in the building. It was my decision that it was essential that the research officers and the reference librarians be here. That is not to say I would not have welcomed the idea.

It would be a lot easier to administer. Yes, they do have to come back and forth and there is a lot of wasted time. It is inefficient and I would hope, although it is not directly relevant to perhaps the issue this morning, that at some stage there would be a legislative support building close by, such as the Whitby Block, where all the library support staff, the Hansard support staff, the committee support staff could be located. It would certainly be a lot more efficient than scattering us in Hydro, LuCliff Place, Bloor Street and so on.

Mr. Swart: I suppose you would be glad if there is an amendment--this is an unfair question--to the resolution that--

Mr. Chairman: I do not think I even want to hear it.

Mrs. Scrivener: I just wanted to ask Dr. Land, Mr. Chairman, if he would tell us who accepts responsibility for the production of your reports? The reports are the work of individuals on your staff, but do you take an overall

responsibility for the quality of the work? Who has the responsibility for reading these and saying this is adequate or this is inadequate? Perhaps you send it back and say, "This should be developed again to a greater degree," or "You have overlooked..." or "Did you know about...?" Who challenges the reports before they leave your hands?

Mr. Land: I will ask Dr. Grayson to comment on the procedures as to how papers are developed.

Dr. Grayson: Once a request has been received and the research officer begins to locate material in conjunction with the reference librarians, if there is a difficulty in conceptualization, our weekly meetings become forums for discussion and input from other research officers who can look at the problem from a different disciplinary perspective. Once the paper is completed, it comes to me and I read each and every paper quite thoroughly to look for logical inconsistencies, gaps, to point out if I am familiar with other materials that might have been looked at, in other words, to give it a fairly critical viewing before it ever goes to the member or the committee.

Mrs. Scrivener: I see. What you are saying is that although you have an individual who is pursuing a subject, you do have a pooling of thinking and an exchange of ideas affecting a particular paper, but that ultimately you are the one where the buck stops.

Dr. Grayson: That is right. I am responsible.

Mrs. Scrivener: What about the disclaimer that you publish on your reports?

11:20 a.m.

Dr. Grayson: The disclaimer originated as part of the policy of the research branch of the library of Parliament and the disclaimer appears on all our work, committee work or individual member work. It was really intended to indicate three things: that each paper is a response to a request from an individual member or from a committee through its chairman; that it is designed in accordance with the specific instructions of the member or the chairman who has made the request; and that it represents a professional judgement, not the personal views of the research officer whose name appears on the cover and not the views of the legislative research service.

Mrs. Scrivener: If that is so and if it is the professional approach, why would you have a disclaimer? Surely that report is the best thinking of you and your research staff in light of the question or the problem which has been posed and your response to it on a research base. Why would you disclaim your work?

Dr. Grayson: Oh, we are not disclaiming our work.

Mrs. Scrivener: The quality of your work and the content of the informaion.

Dr. Grayson: No. With respect, we are not disclaiming the work. The individual research officer's name appears on the work and he or she is responsible for the content. What this is saying is these are professional opinions and not personal opinions. This was prepared on request and this was prepared in accordance with the requirements of the member.

Maybe it would help to give an example. If a research officer was asked to survey the literature on the Wabigoon River system, and if the member said, "I already know everything there is to know about the mercury pollution in that river, but I want to know if there are any other chemicals that may pose problems," the researcher, in good faith, does the paper on that basis, that the member already knows everything about mercury. Someone else reads the paper and says, "I have never seen such a ridiculous paper. How can you talk about this river without talking about mercury?"

This is what the disclaimer points out. It is prepared in response to the specific requirements that that member did not want to know about mercury because he or she was already quite familiar with it.

Mrs. Scrivener: Your paper usually states the purpose and the objectives anyway, so if that member did not want to know about mercury, that would have been contained in the preliminary remarks.

Dr. Grayson: Not necessarily. What we do is an executive summary indicating what the paper contains.

Mrs. Scrivener: Yes.

Dr. Grayson: If we went beyond that to say it does not include this, this, this and this, there could be another three pages of material explaining omissions.

Mrs. Scrivener: Mr. Chairman, I would like to make an amendment to that motion you have before you.

Mr. Chairman: Mrs. Scrivener moves that the motion be amended by striking out the final clause referring to a member of the research staff.

Mrs. Scrivener: In light of things that Dr. Grayson has said, I think that is inappropriate. We are talking about a research service, and I would like to support that part of the motion. But I really think the final part, which is personalized, is inappropriate.

Mr. Chairman: Would you write that out for me, Mrs. Scrivener?

Before we get on to that--I do not want to prolong this--I would say, first of all, Mrs. Scrivener, that we are discussing this here this morning because you made some comments about a paper and, therefore, the researcher involved. I presume that is why--

Mrs. Scrivener: I did not mention the researcher by name. Other members of the committee did. I was talking in terms of the service. In light of Dr. Grayson's remarks, I really think that what we are talking about is a service. That is the level at which we should maintain our discussion. It should not be personal.

Mr. Chairman: All right, perhaps you would write that out for me.

I would just like to point out three things, one which I will reiterate. I believe our report from last year was the best one which has ever been produced in Ontario--and I say that because it has been said by others--mainly because of the research ability we had. Secondly, we have met one of the criticisms that you and others have put in terms of providing the material as far ahead as possible.

I would also like to draw the attention of all members to the Canadian Public Accounts Committee and Legislative Auditors report of the Canadian Comprehensive Auditing Foundation. On page 36 they discuss the staff support and research, in particular, through a public accounts committee.

The report says: "The researcher's role is to organize material to make it as readily useful to the committee as possible, to help formulate lines of inquiry and to follow up matters in an administrative way. Researchers do not audit."

The research we do get is made available to you through me. You are quite free to use, accept it or reject it, whatever you will. We have been very fortunate in the first researcher, Martha Fletcher, and we have been equally fortunate in having Margaret Vokes with us.

Mr. J. A. Taylor: Mr. Chairman, if I could, I have not said really anything except respond to the comments which were general in nature and which seemed to infer intimidation, from wherever, in regard to the library research. It is unfortunate that we have this debate at all. Once you debate an issue like this, you put into question the service itself.

Mr. Peterson: Have you spoken to Mrs. Scrivener to bring this matter to her attention?

Mr. Sargent: It is not a very nice way to handle (inaudible).

Mr. J. A. Taylor: Give me a chance, Eddie.

Mr. Peterson: Was cabinet like this between you two people?

Mr. J. A. Taylor: When you single out individuals, it almost seems as though that individual is on trial in connection with the particular report, and I think that is wrong. If there was ever a service in government that should be unbiased and independent and function without any coercion at all, it is this

kind of service. That is presumably why it is under the Speaker's office. Certainly as a member who has used the service, I could not, in honesty, comment that there has been any bias whatsoever. It has been a professional service founded on legitimate research and on a factual basis.

That is why I lament the fact that is being questioned, in general, and that a specific researcher, in particular, has been singled out. That troubles me because you put that person in an awkward position. If you need a vote of confidence, then I will be the first to support that, but I would suggest that we get on with it, rather than to try to polarize something that is not there.

As far as the amendment that deletes the reference to a particular person is concerned, I do not think anyone should be singled out. It should be a vote of confidence on each and every researcher in that entire organization. That is the way it should read, and it should surely be the spirit and understanding of any resolution of this committee.

Mr. Philip: I would agree this is not a trial of a particular researcher. In order to have a trial, you have to have evidence, and we have not had any evidence, despite the accusations by Mrs. Scrivener that a particular report was not adequate or was not nonpartisan. She has not been able to table any evidence of that. The reason why Mr. Sargent mentioned the particular researcher is that she is being maligned by Mrs. Scrivener in what she has done.

I agree with Mr. Taylor that it is unfortunate it came before us. If Mrs. Scrivener would go on record as saying that she finds the report as being in no way offensive, then perhaps that section could be withdrawn. Otherwise, there is on the record statements by Mrs. Scrivener that do cast innuendo on one particular researcher, and that person then must be voted on in a vote of confidence in that person, unless Mrs. Scrivener withdraws the remarks that she made concerning a particular report at a previous session of this committee, the session held two Thursdays ago.

Mr. Sargent: I was going to go back to the amendment.

Mr. Swart: Let us give her a chance to withdraw.

Mr. Sargent: The motivation for this was on November 5 when the chairman said the committee was not satisfied with the response of the Ministry of Health regarding the clinic. Mrs. Scrivener said, "I do not know why we should spend our time discussing a report of this kind." Further she said, "I just do not think we can spend our time on things of this nature. I think we have more important things to do." She finalized it by saying: "The report, I thought, was really a very shabby piece of goods. I think that was not a well-written report at all."

If she knows more important things to discuss than discrepancies in spending public funds, I would like to know what they are. That is the function of this committee. I think what you are pinpointing by your amendment is totally unfair and I would suggest you withdraw the amendment.

Mrs. Scrivener: I have moved the amendment and I intend to have it stand and have it voted upon. It is a fact that I said those words and I have no intention of retracting. I took exception to some statements that were in the report which I considered to be inaccurate. I simply discussed the report. I did not attack an individual and, as Dr. Grayson has indicated, these reports, while they are pursued and perhaps prepared by individuals, are really the result of a service.

We have had, I think, a very healthy discussion here today about the way the reports are prepared, the thrust of the work of the service, the extent and the burden of the service. I think that all of us have now a clearer insight as to how we are to be served and how we can best get the services we need from Dr. Land's division.

I think that, in view of that, it serves no real good to pursue the kind of discussion that you want at this point. I do not see that that can serve anybody or this committee or the public at this point. So I would suggest to you, Mr. Chairman, that we just move the question.

Mr. Philip: You have made accusations without tabling the evidence, and I am asking you to table that evidence. What part of the report is biased?

Mr. Kolyn: In her opinion. Let her answer the questions.

Mr. Philip: Fine. Then produce the part you consider biased and give us your arguments. The fact is you have got no evidence.

Mr. Chairman: Lady and gentlemen, I have a motion that the question be put.

Mr. Philip: A shabby bit of McCarthyism.

Mr. Chairman: We will vote on Mrs. Scrivener's amendment first. I will read both the motion and the amendment.

Moved by Mr. Sargent, seconded by Mr. Cousens, that this committee has complete confidence in the research service of the legislative library and in the committee research officer, Margaret Vokes.

Mrs. Scrivener has moved an amendment. Mrs. Scrivener moved that the motion be amended by striking the words "and in the committee research officer, Margaret Vokes."

We will vote on the amendment first. Those in favour of the amendment please raise your hands. Those opposed?

Motion negatived.

Mr. Chairman: We will now vote on the main motion, this committee's complete confidence in the research service of the legislative library and in the committee research officer, Margaret Vokes. Those in favour? Opposed, if any? Carried unanimously.

Motion agreed to.

Mr. Chairman: Thank you very much, Dr. Land and Dr. Grayson. We appreciate your attendance here and your answers this morning.

Mr. Land: Thank you very much, Mr. Chairman, and for the committee's comments.

Mr. Chairman: Fellow members, I would like to deal with this matter of the comparative analysis of testimony of Ministry of Health officials at the meeting of the standing committee on April 10. There were four matters that seemed to be somewhat obscure. I would like the direction of the committee, or the approval of the committee, to write the Minister of Health and ask him if he would clarify these matters so that we can deal with it at the same time that we deal with our final report in the next two weeks. Is that all right? Good.

Has everybody had an opportunity to read the Comprehensive Auditing Foundation's report? Has anybody got any questions about this? I think the Comprehensive Auditing Foundation has done a very good piece of research and I would like a motion that we send them a letter expressing our gratitude for the work and saying that we intend to follow as closely as we can the recommendations contained therein.

Mr. Cousens: The report is a good one, but it is unfortunate that our committee, in the haste of doing so many other things, has not had a chance to sit down as a group and go through it. I know that is one of the things you were planning to do at our meeting in Ottawa so that we, as a committee, could start looking at the different suggestions. While the motion may well be the right one, it would be more meaningful if we had a chance to go through it, consider it and compare it with what we are doing and what other public accounts committees are doing as well.

I would rather see that motion come forward after we have had that discussion. Then we will be in a position not only to say we are going to try to follow it closely, but to say some of the things we are going to try to do so that they can update their report.

Mr. J. A. Taylor: I think that is a fair comment. Some of us have had the advantage of being involved in the process earlier, in particular in the summer. I know that Mr. Philip was at a meeting that you, Mr. Chairman, and I attended, and I thought that was very instructive. I was most impressed with the draft report. It may be premature for the committee as a whole to send that letter in advance of a familiarization with the report. I would certainly endorse the spirit of the type of letter that you have suggested.

Mr. Chairman: Perhaps we could just send a letter expressing our gratitude. We were supposed to have gone to Ottawa but, unfortunately, we could not because of events in the House.

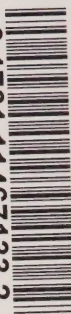
As we said earlier, the auditor and the Treasury department were having a conflict over a small matter of \$9 billion being lost. The trip would have been quite interesting. We will try to rearrange it for the new year.

We will be receiving the auditor's report within the next three weeks, and it has been the custom of the committee to meet when the House is not meeting in January and February. We might set aside a morning to deal with this report. I would like to suggest--I have not tried this on the auditor yet--that we also maybe spend a couple of hours in the auditor's offices to see how the public accounts are put together and how the auditor's report is put together.

I would ask that we deal next week with the recommendations arising from our deliberations this year. If you have recommendations, I would appreciate it if you would bring them with you. Is there any new business or anything further this morning? If not, we stand adjourned.

The committee adjourned at 11:43 a.m.

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